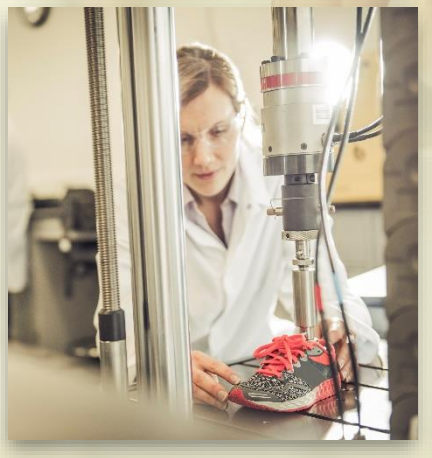
First Quarter 2017 Conference Call

April 24, 2017















Forward-Looking Statements

SAFE HARBOR STATEMENT

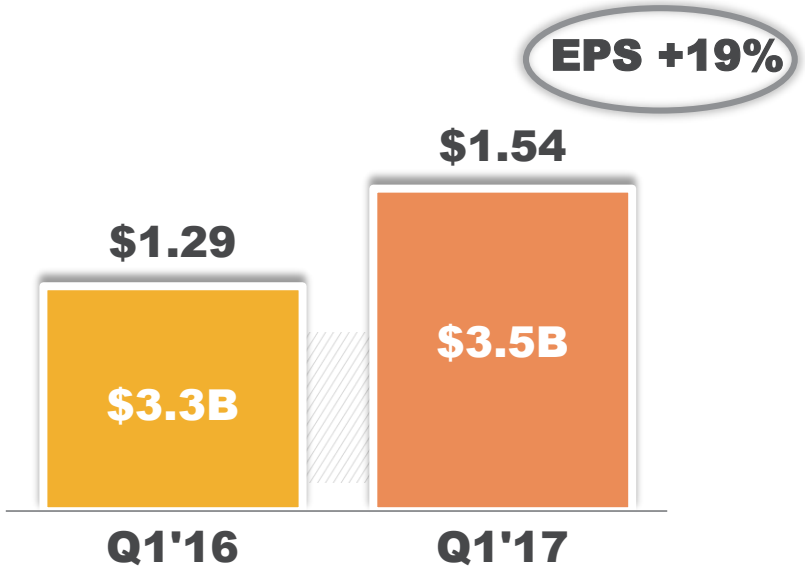
This conference call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding the expected impact of product line simplification activities and enterprise initiatives, future financial performance, 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, effective 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 2017 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 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 first quarter of 2017, which is available at www.itw.com, together with this presentation.

Q1 2017 Performance

Financial Results



OPERATING MARGIN	22.1%	23.3%	+120 bps
AFTER-TAX ROIC*	21.2%	23.8%	+260 bps

Highlights

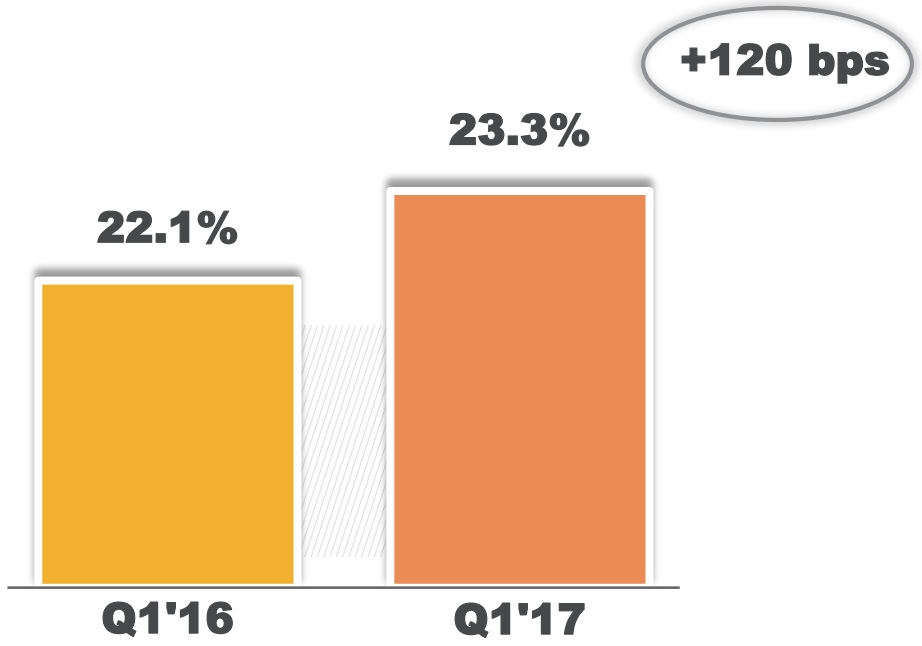
- **GAAP EPS of $1.54, an increase of 19%**
  - EPS grew 21% excl. ($0.02) from foreign currency translation impact
- **Total revenue grew 6.0%; organic growth of 3.5%**
  - North America 1.4%, International 6.4%
  - 6 of 7 segments with positive organic growth
- **All-time records for key performance metrics**
  - Operating margin of 23.3% with 100 bps from Enterprise Initiatives
  - Operating income of $809M, an increase of 12%
  - After-tax ROIC* of 23.8%
- **Free Cash Flow* of $399M**
  - 74% of net income, 91% adjusted for tax and pension timing

See ITW's first quarter 2017 press release for the reconciliation from GAAP to non-GAAP measurements

OFF TO A GOOD START IN 2017

Q1 2017 Operating Margin

Operating Margin



Key Margin Drivers

	Q1'17
Enterprise Initiatives	+100 bps
Volume/Other	+100
EF&C Margin Impact	(50)
Price/Cost	(30)
Total Margin Expansion	+120 bps

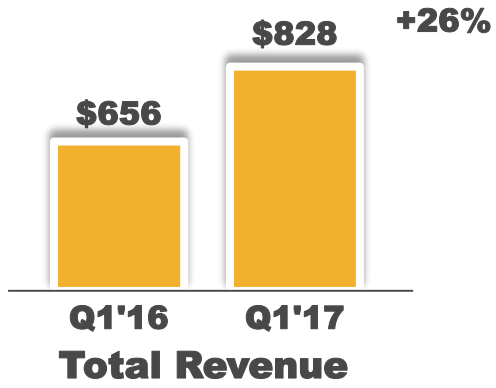
ALL-TIME RECORD FOR ITW

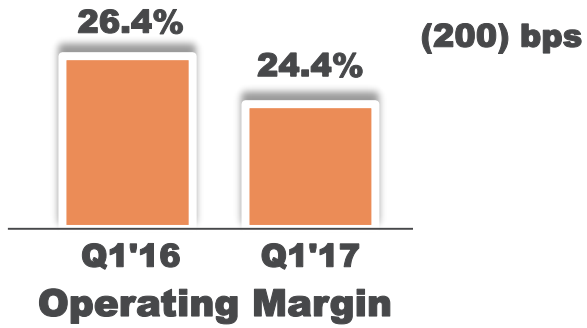
Segment Performance

Organic Revenue Growth by Segment

	Organic Growth	
	Q4'16	Q1'17
Automotive OEM	7%	9%
Food Equipment	3	2
T&M and Electronics	~flat	6
Welding	(8)	~flat
Polymers & Fluids	2	2
Construction Products	3	3
Specialty Products	1	1
Total Company	**2%**	**3.5%**

Automotive OEM





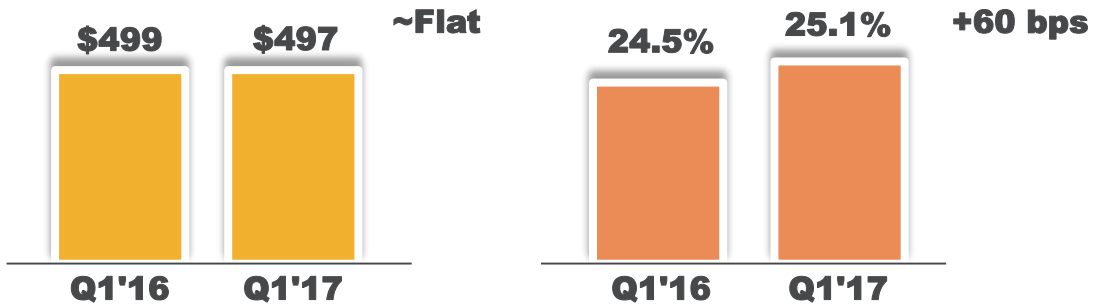
Highlights

- Organic growth 9%; 300 basis points above-market
- Organic growth by geography:
  - North America 4% vs. builds 3% ("D3" builds 1%)
  - Europe 12% vs. builds 6%
  - China 29% vs. builds 7%

ITW Shakeproof | ITW Global Automotive | DELTAR

Segment Performance

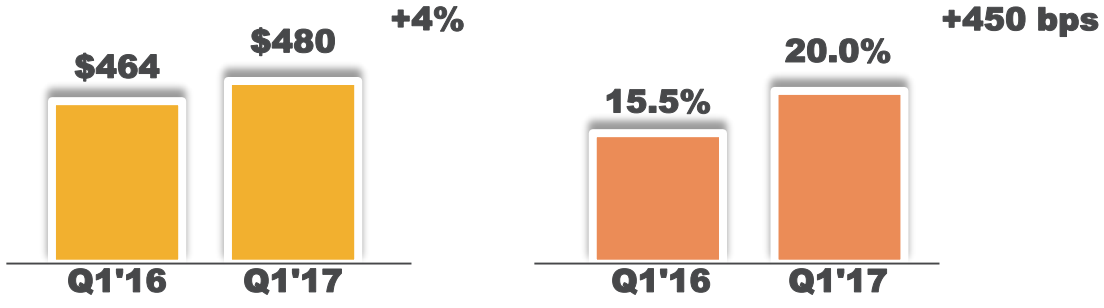
Food Equipment



Highlights

- Organic growth 2%
  - North America 1%
  - International 3%

Test & Measurement/Electronics



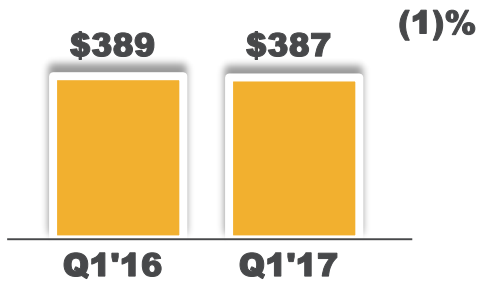
Highlights

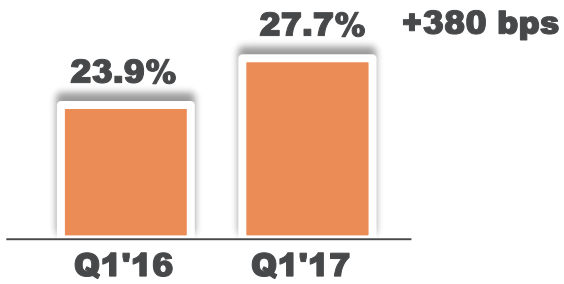
- Organic growth 6%
  - Test & Measurement and Electronics both 6%

HOBART Traulsen VULCAN INSTRON LOMA SYSTEMS LOCK INSPECTION SIMCO ION An ITW Company

Segment Performance

Welding

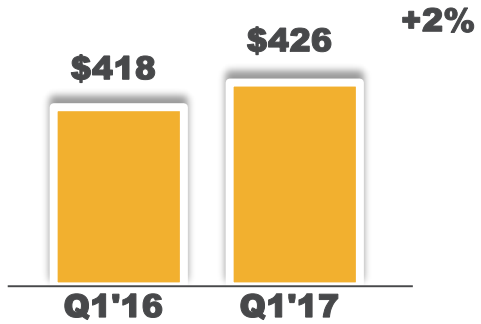


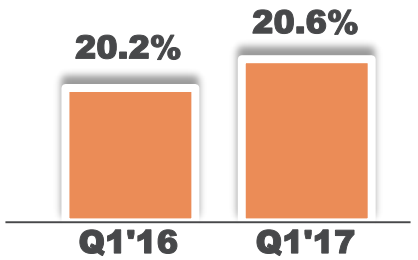


Highlights

- Organic growth ~flat
  - Equipment 1%, Consumables (1)%
  - North America 2%, International (8)%

Polymers & Fluids





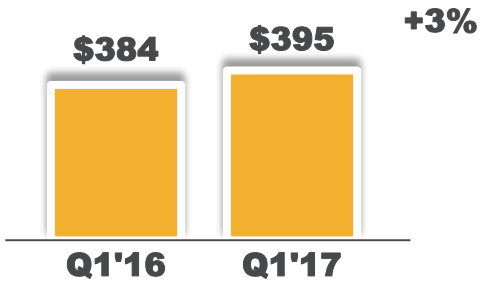
Highlights

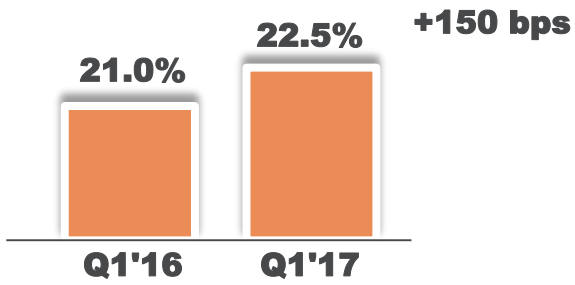
- Organic growth 2%
  - Fluids and Automotive Aftermarket 2%
  - Polymers ~flat

Miller. HOBART FILLER METALS rain-x Devcon PLEXUS Structural Adhesives

Segment Performance

Construction Products

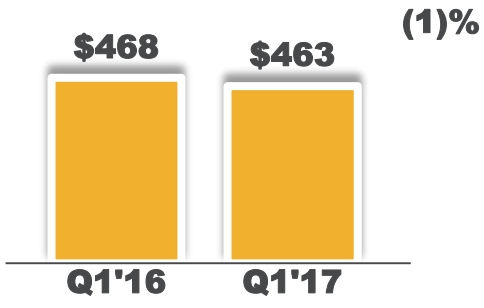


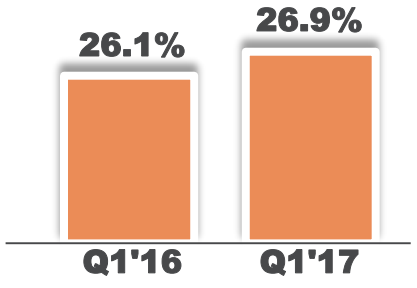


Highlights

- Organic growth 3%
  - North America (2)% with challenging comparison (Q1'16 11%)
  - Europe 8%
  - Asia Pacific 5%

Specialty Products





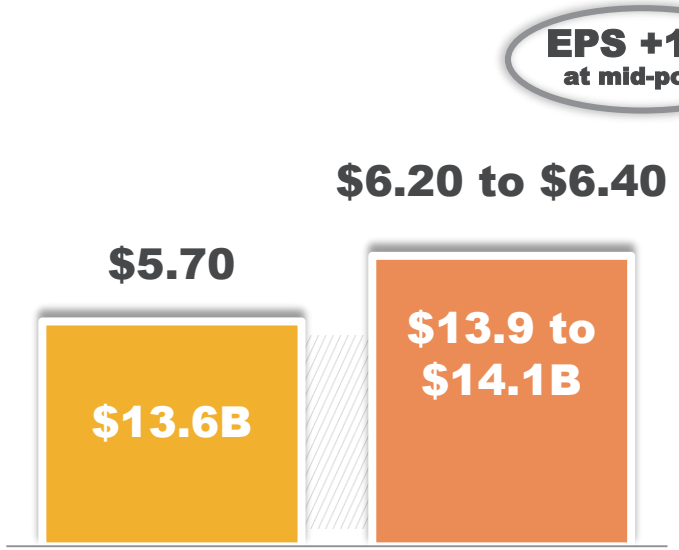
Highlights

- Organic growth 1%
  - Consumer packaging 8%
  - Equipment (2)%

Paslode · Ramset DRIVING JOBSITE SPEED · spit · ZIP-PAK We're Uniquely Flexible. · HI-CONE we are all around

2017 Guidance

Financial Guidance



	2016	2017E
GAAP EPS	$5.70	$6.20 to $6.40
REVENUE	$13.6B	$13.9 to $14.1B
OPERATING MARGIN	22.5%	23.5%+
AFTER-TAX ROIC*	22.1%	~23%

Highlights

- **GAAP EPS guidance raised $0.20**
  - $0.10 from Q1 + $0.10 from higher organic growth and lower tax rate
- **Organic growth guidance raised 50 bps; now 2 to 4%**
- **All-time full-year records for key performance metrics**
  - Operating margin of 23.5%+ with 100 bps from Enterprise Initiatives
  - After-tax ROIC of ~23%
- **Free Cash Flow 100%+ of Net Income**

- **Second Quarter 2017 guidance**
  - GAAP EPS $1.55 to $1.65 with organic growth of 2 to 4%

**See ITW's first quarter 2017 press release for the reconciliation from GAAP to non-GAAP measurements*

WELL-POSITIONED TO DELIVER DIFFERENTIATED PERFORMANCE IN 2017

Q&A



