Second Quarter 2018 Earnings Conference Call

July 23, 2018

Forward-Looking Statements

NON-GAAP MEASURES

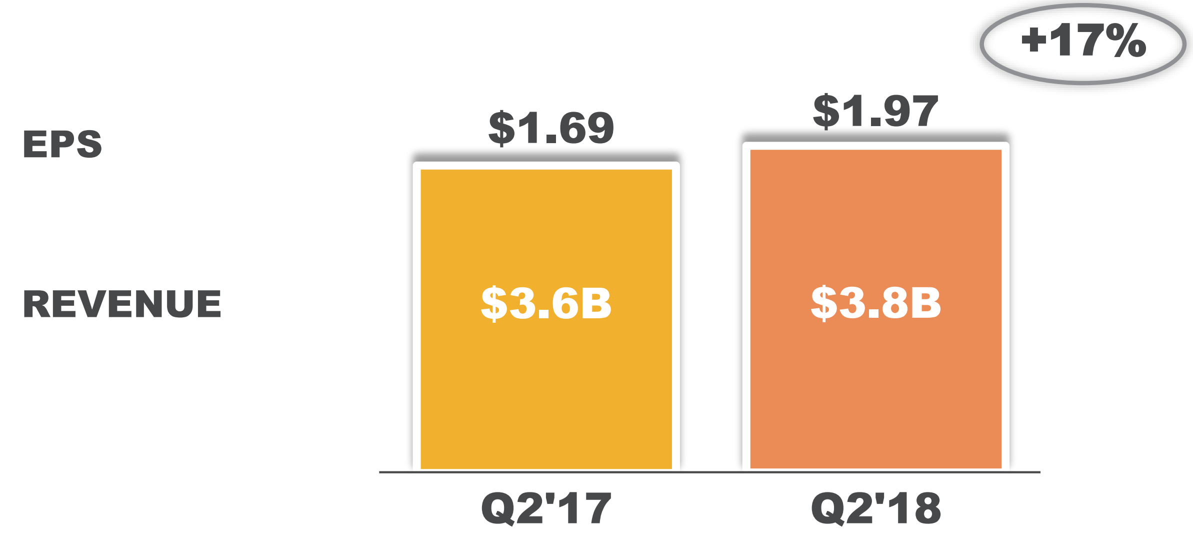
The company uses certain non-GAAP measures in discussing the company's performance. The reconciliation of those measures to the most comparable GAAP measures is detailed in ITW's press release for the second quarter of 2018, which is available at www.itw.com, together with this presentation.

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, price/cost impact, growth in diluted income per share, restructuring expenses and related benefits, effective tax rates, expected dividend payout ratio, expected repatriation, 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 2018 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 2017 and subsequently filed Form 10-Qs.

Q2 2018 Financial Performance

Financial Results



	Q2'17	Q2'18	
OPERATING MARGIN	**24.2%**	**24.3%**	**+10 bps**
- Excl. legal settlement	**23.8%***		**+50 bps**
AFTER-TAX ROIC*	**24.3%**	**28.7%**	**+440 bps**

Highlights

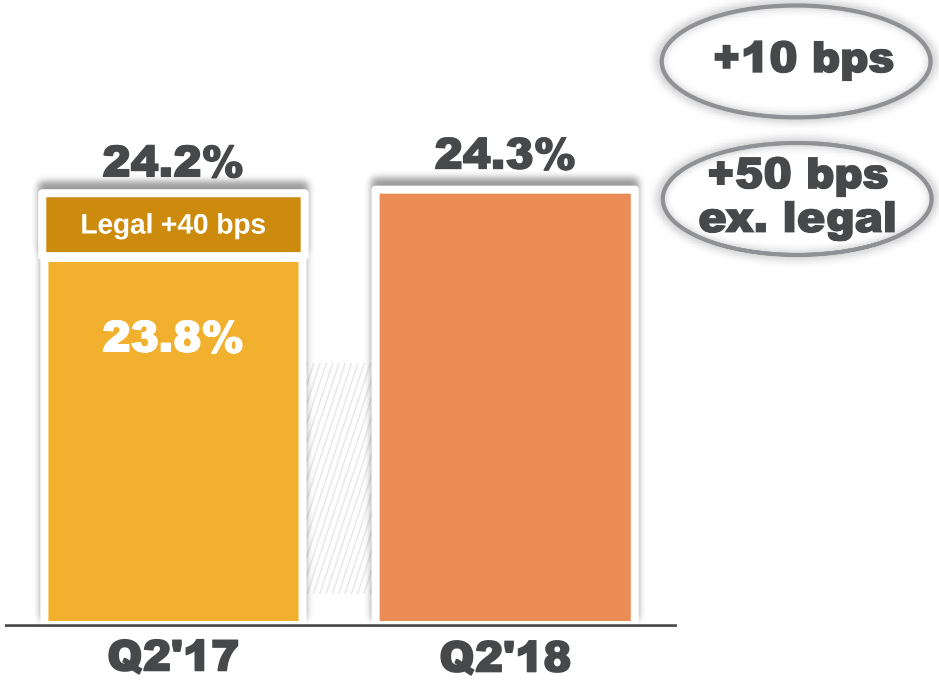
- **GAAP EPS of $1.97, an increase of 17%**
- **Total revenue grew 7%; organic growth of 4%**
  - All 7 segments with positive organic growth; North America 5%
- **Delivered second quarter records for key performance metrics**
  - Operating income of $932M, an increase of 7%
  - Operating margin of 24.3%, an increase of 50 bps excl. legal settlement
    - Enterprise Initiatives contributed 110 bps
  - After-tax ROIC* of 28.7%, an increase of 440 bps
- **Free Cash Flow* of $533M, an increase of 38%**
  - 80% of net income, in line with typical seasonality
- **Share repurchases of $500M**

**See ITW's second quarter 2018 press release for the reconciliation from GAAP to non-GAAP measures.*

CONTINUED STRONG EXECUTION ON ORGANIC GROWTH & ENTERPRISE INITIATIVES

Q2 2018 Operating Margin

Operating Margin



Key Margin Drivers

	Q2'18
Enterprise Initiatives	+110 bps
Volume	+70
Price/Cost	(70)
Growth Investments / Other	(60)
Margin Expansion	+50 bps
Q2 2017 Legal Settlement	(40)
Total Margin Expansion	+10 bps

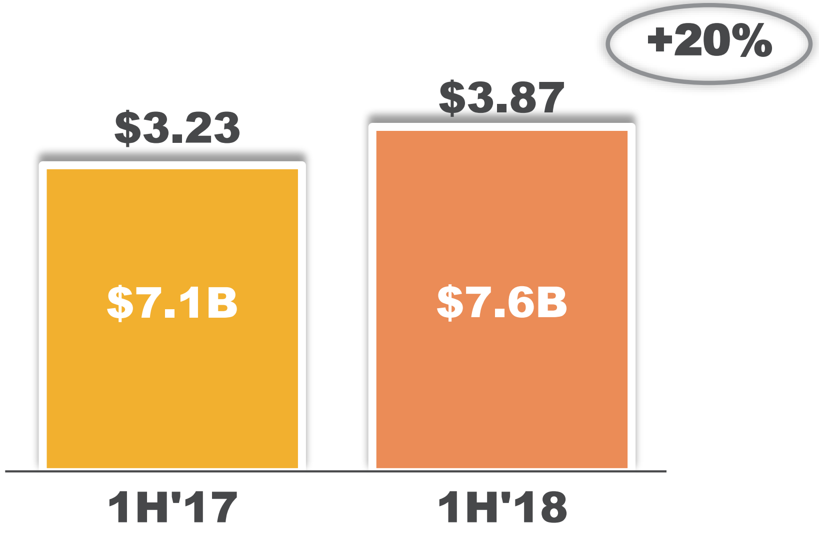
STRONG MARGIN PERFORMANCE

1H 2018 Financial Performance

Financial Results

EPS

REVENUE



	1H'17	1H'18	
OPERATING MARGIN	**23.7%**	**24.2%**	**+50 bps**
- Excl. legal settlement	**23.5%***		**+70 bps**
AFTER-TAX ROIC*	**24.0%**	**28.3%**	**+430 bps**

**See ITW's second quarter 2018 press release for the reconciliation from GAAP to non-GAAP measures.*

1H Highlights

- **Good growth momentum with organic growth of 3%**
  - All segments with positive organic growth
  - North America 4%, International 2%
- **Excellent operational execution with continued margin improvement despite near-term inflationary challenges**
  - 70 bps margin expansion despite price/cost
  - Price actions offset cost increases on a $ basis
  - 110 bps from Enterprise Initiatives
- **Most profitable 1st half in ITW history**
  - 20% EPS growth

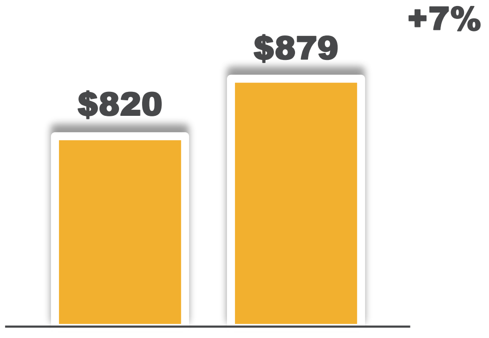
GOOD GROWTH MOMENTUM, EXCELLENT EXECUTION AND CONTINUED MARGIN EXPANSION

Q2 2018 Segment Performance

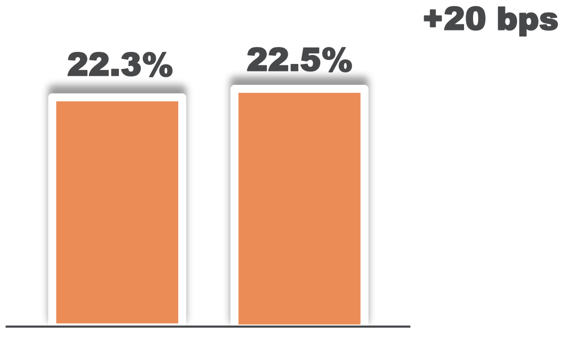
Sequential Segment Performance

	Organic Growth		Operating Margin	
	Q1'18	Q2'18	Q1'18	Q2'18
Automotive OEM	1%	3%	24.1%	22.5%
Food Equipment	~flat	2	24.6	25.4
T&M and Electronics	8	4	23.4	23.5
Welding	8	13	27.7	29.3
Polymers & Fluids	~flat	1	20.9	21.2
Construction Products	3	2	22.2	24.5
Specialty Products	1	4	26.7	28.1
Total Company	**3%**	**4%**	**24.1%**	**24.3%**

Automotive OEM



Total Revenue



Operating Margin

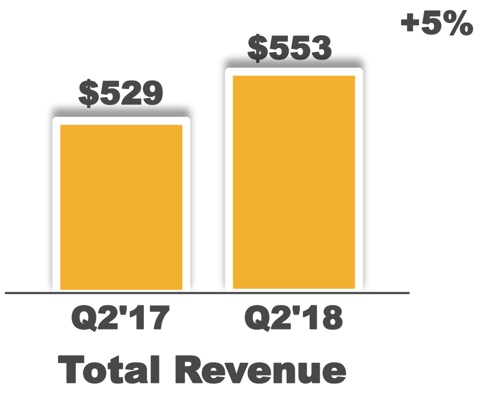
Q2 Performance

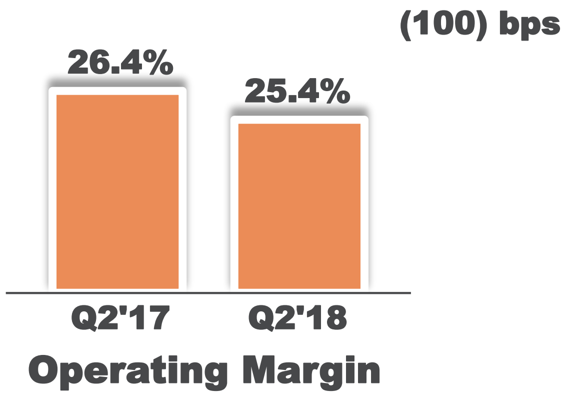
- Organic growth of 3% vs. Q1'18 of 1%
- Organic growth by geography:
  - NA 2% vs. builds (3)%
  - Europe 3% vs. builds 4%
  - China 17% vs. builds 9%

ITW Shakeproof ITW Global Automotive DELTAR

Q2 2018 Segment Performance

Food Equipment

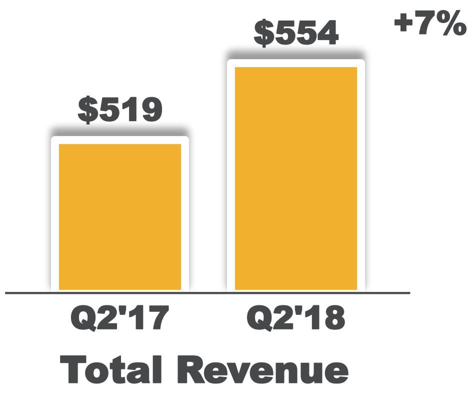


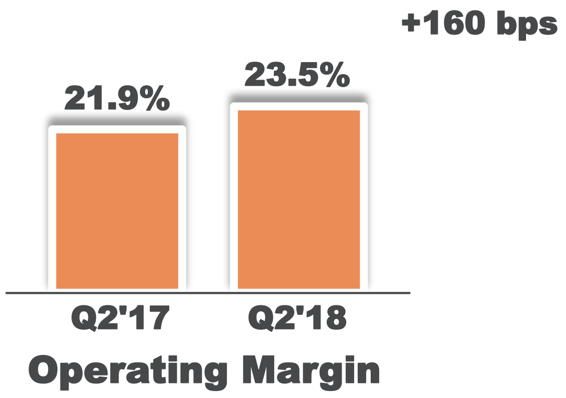


Q2 Performance

- Organic growth of 2%; Equipment & Service each 2%
  - North America 2%
    - Food Service equipment 13% offset by retail
    - Service 1%
  - International 1%
    - Equipment 1%, Service 3%

Test & Measurement/Electronics



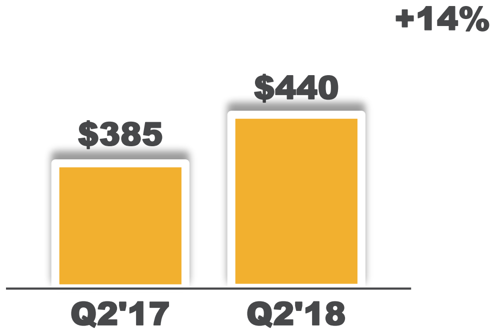


Q2 Performance

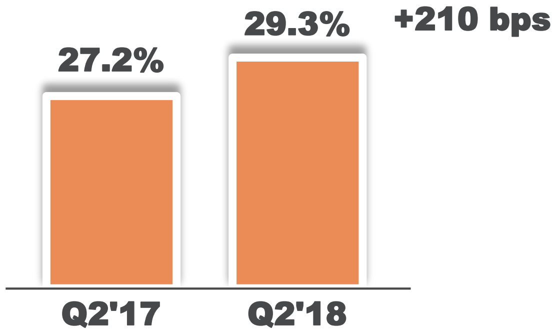
- Organic growth of 4%
  - Test & Measurement 7% … Instron 5%
  - Electronics flat

Q2 2018 Segment Performance

Welding



Total Revenue

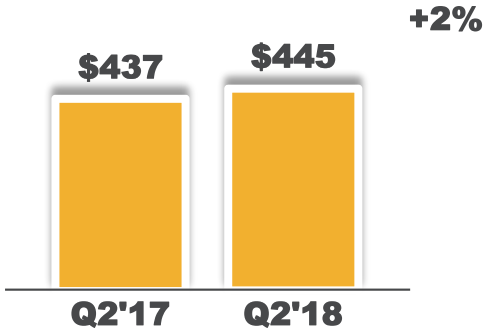


Operating Margin

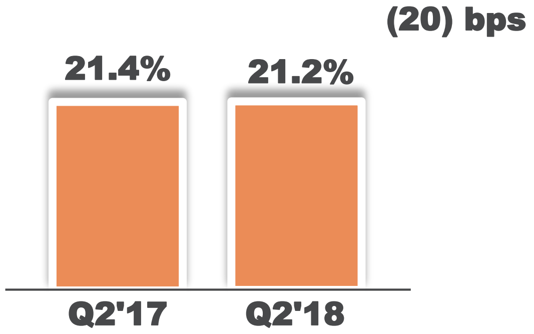
Q2 Performance

- Organic growth of 13%; Equipment 15%, Consumables 11%
  - North America 17%
  - International 1%

Polymers & Fluids



Total Revenue



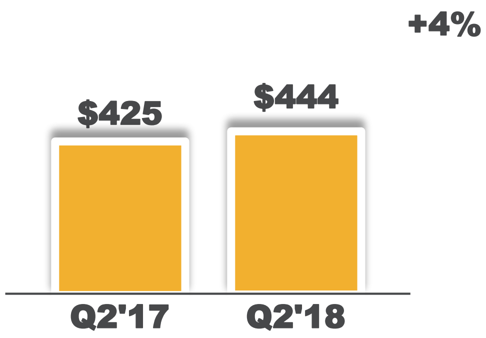
Operating Margin

Q2 Performance

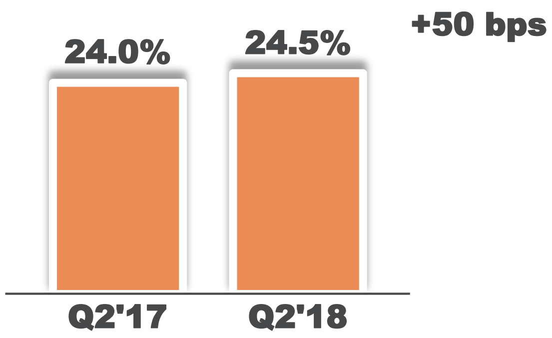
- Organic growth of 1%
  - Fluids, Polymers, Automotive Aftermarket each 1%
  - North America 2%
  - International ~flat

Q2 2018 Segment Performance

Construction Products



Total Revenue

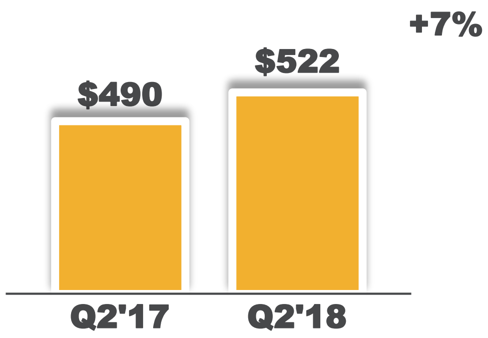


Operating Margin

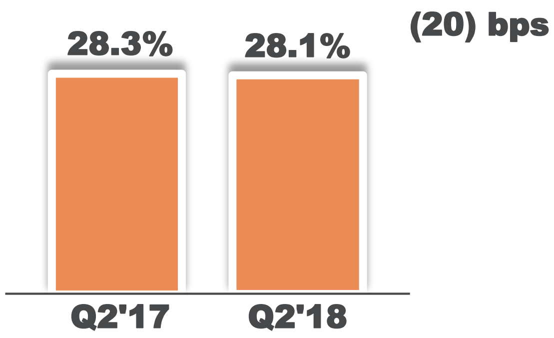
Q2 Performance

- Organic growth of 2%
  - North America 2%
  - Europe 4%
  - Asia Pacific ~flat

Specialty Products



Total Revenue



Operating Margin

Q2 Performance

- Organic growth of 4%
  - Equipment 23%
  - Consumables ~flat
  - North America 8%, International (2)%

Raw Material Cost/Tariff Update

- **Continue to execute well on our strategy to offset raw material cost inflation with pricing actions on a $ for $ basis**
  - Raw material cost inflation is manageable ... increases represent ~3% of total spend
  - No negative earnings impact in FY'18 (same as 1H'18) … dilutive to margin percentage only

- **Tariff impact mitigated by ITW's "produce where we sell" strategy**
  - Tariffs make up 10-15% of total projected FY' 18 raw material costs inflation
  - Limited cross border movement … only ~2% of ITW's total spend comes from China

- **Organic growth acceleration, strength/resilience of ITW business model and excellent operational execution on our Enterprise Initiatives drive continued margin expansion in 2018**
  - +80 bps improvement for FY'18 at the 24 - 25% guidance mid-point (+70 bps in 1H'18)
  - +110 bps from Enterprise Initiatives in 1H'18 … expect more than 100 bps for FY'18

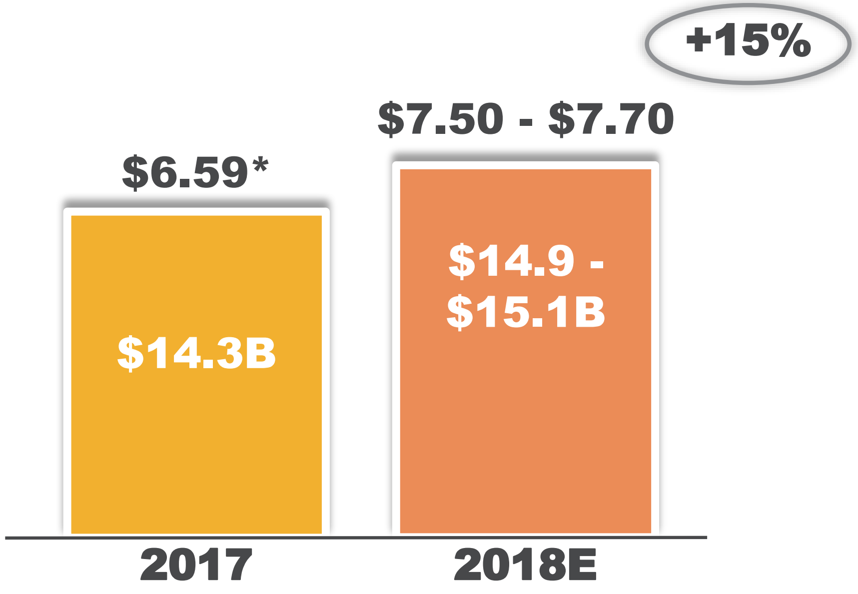
EXECUTING THE PLAN AND CONTINUING TO DELIVER MARGIN EXPANSION

2018 Guidance

Financial Guidance

EPS

REVENUE



	2017	2018E
OPERATING MARGIN	**23.7%***	**24 - 25%**
AFTER-TAX ROIC	**24.3%***	**27 - 28%**

Highlights

- **Adjusting GAAP EPS guidance by $0.10**
  - ($0.12) currency impact in 2nd Half vs. prior guidance
  - 15% EPS growth at the midpoint
- **Solid underlying demand trends, resilient business portfolio**
  - Total revenue growth of 4 - 5%; organic growth of 3 - 4%
- **Strong execution and margin expansion**
  - 100 bps+ from Enterprise Initiatives
  - Price actions offset cost increases on a $ basis
- **$1.5B in share repurchases**

- **Expect Q3 GAAP EPS of $1.80 - $1.90**
  - Total revenue growth of 2 - 3%; organic growth of 3 - 4%
  - $0.14 benefit from legal settlement in Q3 2017

**See ITW's second quarter 2018 press release for the reconciliation from GAAP to non-GAAP measures.*

WELL-POSITIONED FOR CONTINUED TOP-TIER PERFORMANCE IN 2018

Q&A