2018 INVESTOR DAY

December 7, 2018

ITW

FORWARD-LOOKING STATEMENT

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 of tariffs and raw material inflation, 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, expected dividend payout ratio, expected repatriation, growth in after-tax return on invested capital, expected total shareholder returns, effective tax rates, exchange rates, timing and amount of share repurchases, end market economic conditions, expected impact of divestitures, and the Company's related 2018 and 2019 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.

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 2017 and the appendix of this presentation, which are available at www.itw.com, together with this presentation.

AGENDA

- **ITW'S ENTERPRISE STRATEGY**
  Our Path to Full Potential | Finishing the Job
- **A DIVISION'S PATH TO FULL POTENTIAL**
  Division Examples: Instron Static | Hobart Germany | Hi-Cone
- **PORTFOLIO DISCIPLINE**
  Differentiated Portfolio Examples: Auto OEM | Test & Measurement and Electronics
- **FINANCIAL PERFORMANCE**
  Capital Allocation Framework | "Finish the Job" Financial Performance | Preliminary 2019 Guidance
- **SUMMARY / MOVING FORWARD / Q&A**

ITW

PRESENTERS

SCOTT SANTI
Chairman & CEO

36
YEARS
WITH ITW

CEO SINCE
2012

CHRIS O'HERLIHY
Vice Chairman

29
YEARS
WITH ITW

VICE CHAIRMAN
SINCE
2015

MICHAEL LARSEN
SVP & CFO

6
YEARS
WITH ITW

CFO SINCE
2013

PRESENTERS

SUNDARAM NAGARAJAN

EVP Automotive OEM

27
YEARS
WITH ITW

STEVE MARTINDALE

EVP Test & Measurement and Electronics

16
YEARS
WITH ITW

PRESENTERS

PATTY HARTZELL
VPGM
Instron Static

20
YEARS
WITH ITW

AXEL BECK
Group President
Global Ware-wash

29
YEARS
WITH ITW

KENNETH ESCOE
VPGM
Hi-Cone

4
YEARS
WITH ITW

ITW'S ENTERPRISE STRATEGY: OUR PATH TO FULL POTENTIAL

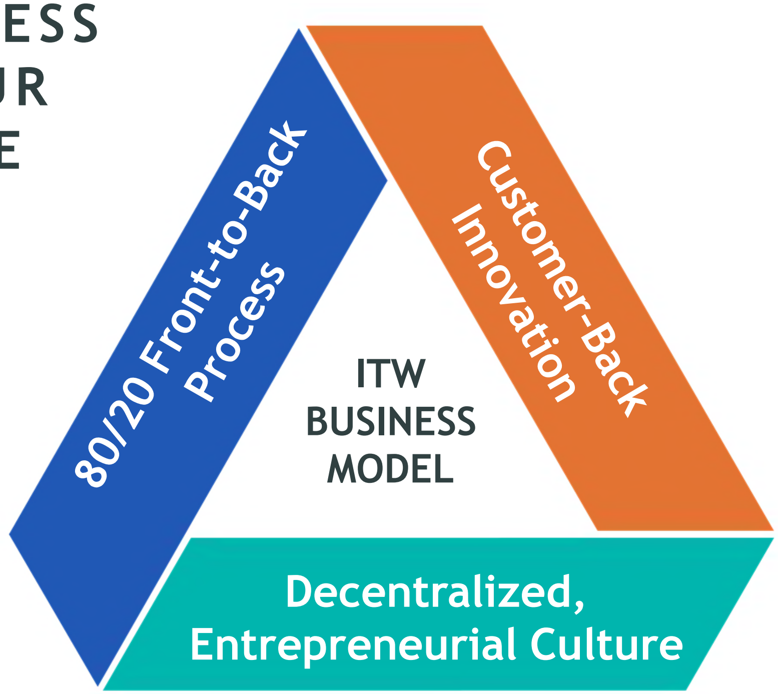
ENTERPRISE STRATEGY BEGAN IN LATE 2012

STARTED WITH A BASIC QUESTION:

What truly differentiates ITW?

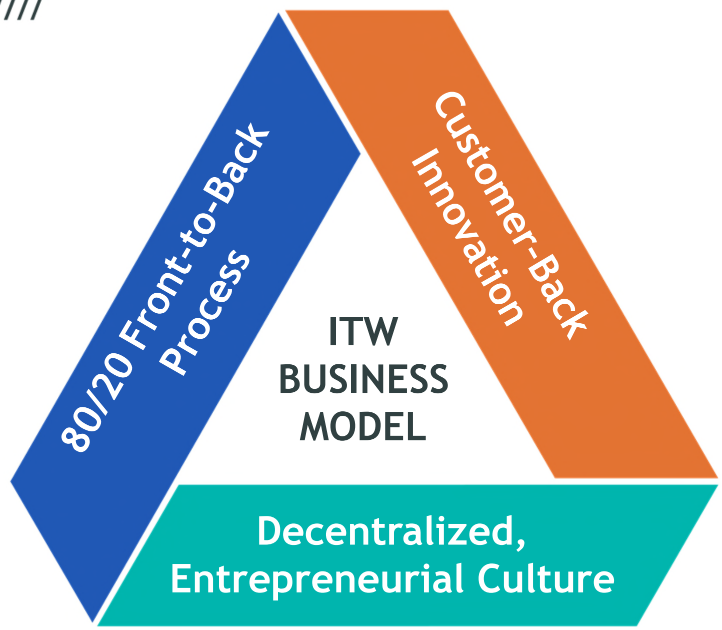
What are the **"DIFFERENCE-MAKERS"** that only ITW has?

ITW'S BUSINESS MODEL IS OUR COMPETITIVE ADVANTAGE



THE ITW BUSINESS MODEL:

- A **POWERFUL** and **PROPRIETARY** set of strategic, operational and cultural practices
- Has been in a continual state of development and evolution inside ITW for over 30 years
- Is the **VALUE-ADD** from being part of ITW



THE ITW BUSINESS MODEL DELIVERS:

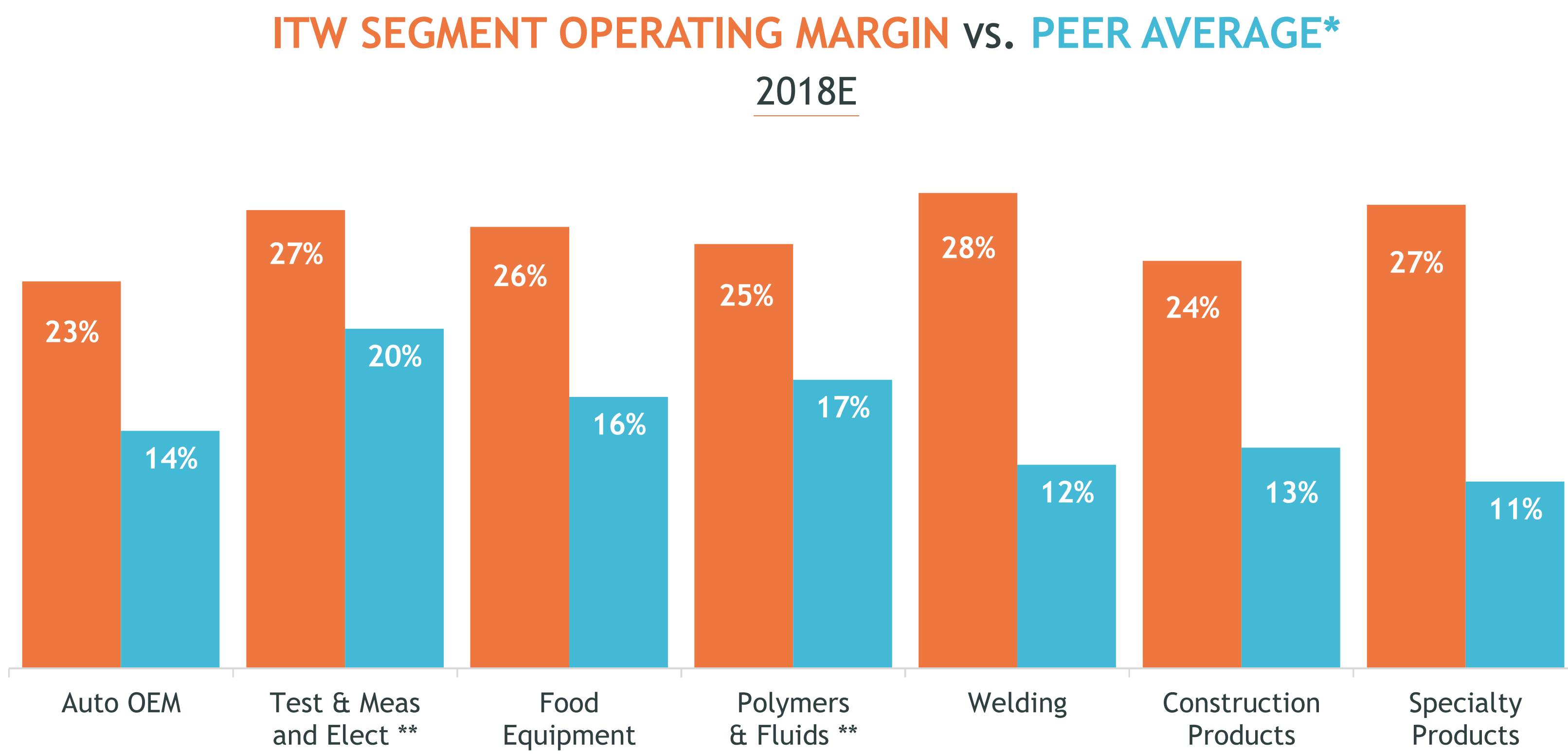
1 **ADVANTAGED COMPETITIVE POSITION IN THE INDUSTRIES IN WHICH WE OPERATE:**

- Superior performance and value for our "80" customers
- High quality growth with best-in-class margins and returns

2 **ADVANTAGED PERFORMANCE FOR LONG-TERM ORIENTED INVESTORS:**

- Uniquely positioned to deliver consistent top-tier financial performance and returns over the long-term

ITW'S BUSINESS MODEL IS OUR COMPETITIVE ADVANTAGE



Ẁ See Appendix for listing of peers

** *Test & Measurement and Electronics and Polymers & Fluids exclude 270 bps and 380 bps, respectively, of unfavorable operating margin impact of amortization expense related to intangible assets*

2

ITW'S BUSINESS MODEL = ENDURING AND SUSTAINABLE COMPETITIVE ADVANTAGE

ITW'S 80/20 FRONT-TO-BACK

+

CUSTOMER-BACK INNOVATION

+

DECENTRALIZED ENTREPRENEURIAL CULTURE

TSR Since 1987:

ITW = 14%

S&P 500 = 10%

ITW'S ENTERPRISE STRATEGY

1 **PORTFOLIO DISCIPLINE:**
Operate only in industries where we can generate significant differentiated competitive advantage from the ITW Business Model long-term

2 **QUALITY OF 80/20 FTB PRACTICE:**
Operate with excellence in the practice of ITW's 80/20 FTB business management process everywhere in the company every day

3 **DIFFERENTIATED PERFORMANCE:**
Deliver (1) solid growth with (2) full-potential margins and returns … consistently

Launched in 2013

ENTERPRISE STRATEGY EXECUTION TO DATE:

TRANSFORMED OUR BUSINESS PORTFOLIO

- Made sustainable differentiation a “must-have”
- Divested 38 businesses/ ~$5B of revenue
- PLS’d another $525M of revenue *

SIMPLIFIED AND SCALED UP OUR OPERATING STRUCTURE

- 800 business units to 87 global divisions

ESTABLISHED A STRATEGIC SOURCING FUNCTION

- Generated ~$540M in total annualized savings to date

SHIFTED THE GROWTH FOCUS OF THE COMPANY…

… from acquisition to organic

REDEFINED AND REINVIGORATED 80/20 FTB

- Codified Enterprise 80/20 FTB best practices across the company into a single unified framework

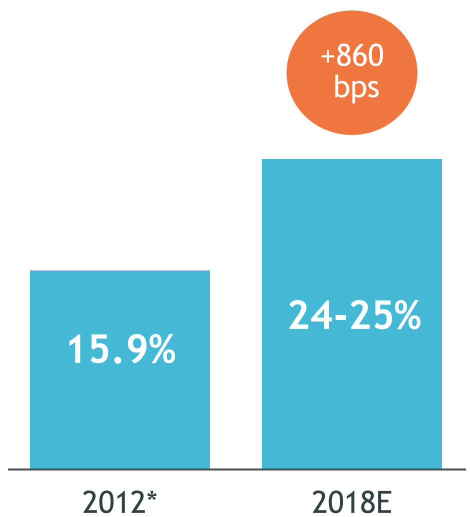
REDEFINED ITW’S LEADERSHIP MODEL

- Centered around business model expertise

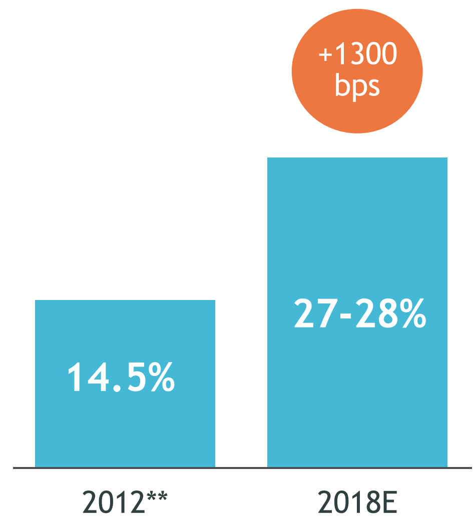
* PLS = Product Line Simplification

2012 TO 2018 PERFORMANCE

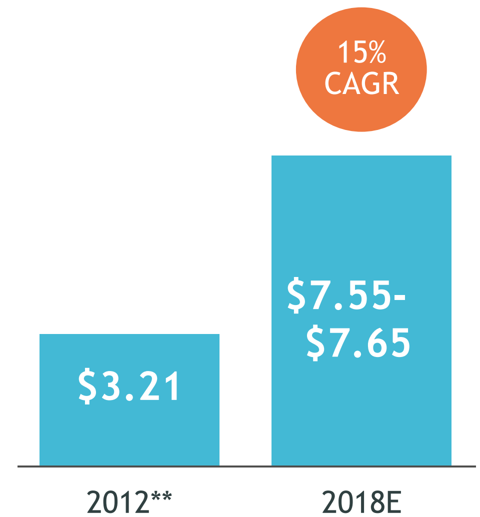
OPERATING MARGIN



AFTER-TAX ROIC



EARNINGS PER SHARE



* *As reported in the 2012 Form 10-K*
** *See Appendix for GAAP to non-GAAP reconciliations*

ITW'S ENTERPRISE STRATEGY

1 **PORTFOLIO DISCIPLINE:**
Operate only in industries where we can generate significant differentiated competitive advantage from the ITW Business Model long-term

~90% complete

2 **QUALITY OF 80/20 FTB PRACTICE:**
Operate with excellence in the practice of the ITW's 80/20 FTB business management process everywhere in the company every day

~70% complete

3 **DIFFERENTIATED PERFORMANCE:**
Deliver (1) solid growth (~**50% COMPLETE**) with (2) full-potential margins and returns (**~70% COMPLETE)** … consistently

~60% complete

More work to be done in order to achieve ITW's full potential

ITW

ITW'S ENTERPRISE STRATEGY: FINISHING THE JOB

OUR "FINISH THE JOB" AGENDA:

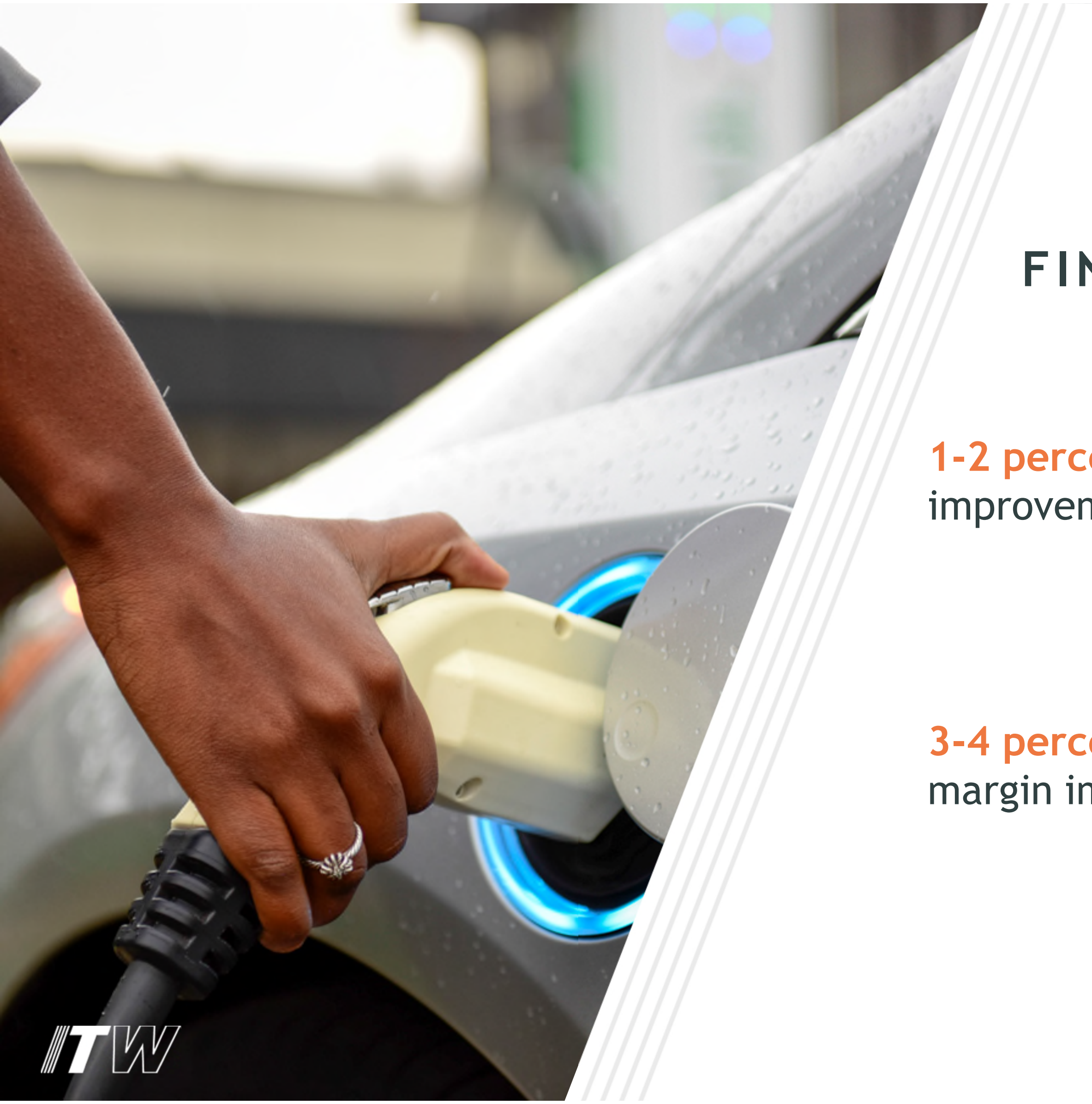
COMPLETE END OF 2022:

1. Further Portfolio Refinements
2. 80/20 FTB Practice Excellence
   - Continued Customer-Facing Performance Improvement
   - Additional Margin Expansion
3. Full-Potential Organic Growth
   - From Every ITW Division

ONGOING:

4. Selective High-Quality Acquisitions to Supplement ITW's Long-Term Growth Potential

Fully leveraging the potential of the ITW Business Model



FINISHING THE JOB =

1-2 percentage points of additional improvement in enterprise organic growth rate

+

3-4 percentage points of additional structural margin improvement

ITW AT FULL POTENTIAL = 87 DIVISIONS AT FULL POTENTIAL

80/20 FRONT-TO-BACK PRACTICE EXCELLENCE + FULL POTENTIAL ORGANIC GROWTH

A DIVISION'S PATH TO FULL POTENTIAL EXAMPLE #1: INSTRON STATIC

A division within Test & Measurement and Electronics

INSTRON STATIC: WHAT OUR PRODUCTS DO

Characterize the performance of new materials and products

Ensure products and materials perform as expected

...WHICH IMPROVE PRODUCT SAFETY AND RELIABILITY

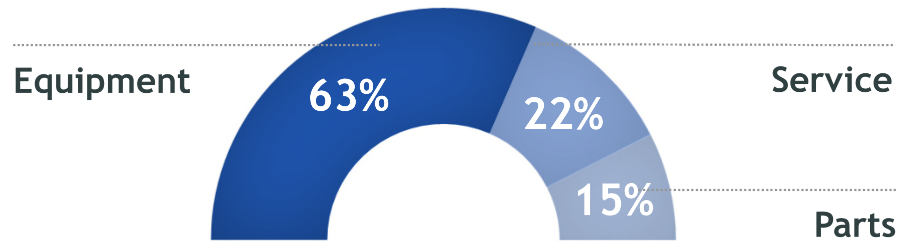
DIVISION OVERVIEW: INSTRON STATIC

TRUSTED MARKET LEADER IN MATERIALS TESTING EQUIPMENT

KEY FACTS

- Headquarters/ Main operation near Boston
- Deep knowledge in materials testing
- 50%+ of staff in engineering or technical positions
- Local sales and service teams (40 languages)

2018E SALES



OUR HISTORY WITH ITW

80/20 FRONT-TO-BACK SIMPLIFIES OUR BUSINESS PORTFOLIO

EXAMPLE: LOAD FRAMES

WHAT WE SAW..

- 40 load frames;
  149 variants

WHAT WE DID..

- Eliminated or consolidated "20" models using PLS
- Increased capabilities of "80" models
  (more speed, better diagnostics, visuals at the test space)

WHAT WE GOT..

- 21 load frames;
  54 variants

PLS REDUCES COMPLEXITY AND IMPROVES COMPETITIVENESS

80/20 FRONT-TO-BACK INFORMS “WHERE WE CHOOSE TO PLAY”

FOCUS ON STRATEGIC MARKETS

- Large end markets with attractive growth rates
- Industries where cost of failure is high or brand is critical
- Significant share potential

WHERE CUSTOMERS VALUE AND PAY FOR DIFFERENTIATION

TRUSTED DATA	WORLD-CLASS SERVICE	EXCELLENT QUALITY
• The right results in the right place • Simple and safe testing workflows	• Large and responsive organization • Local to customers • World-class referral rating (NPS of 70)	• Trusted brand • Durable and reliable equipment

INSTRON

“80” Markets:

- Biomedical
- Electronics
- Automotive
- Raw materials

“80” Products:

- Low force machines
- Aftermarket parts
- Services

80/20 FRONT-TO-BACK GUIDES OUR OPERATIONS STRATEGY

INSTRON

WHAT WE SAW…

- High inventory
- Lack of process flow
- “80”s and “20”s mixed together
- Misplaced sense of urgency and lack of ownership

WHAT WE DID…

- Separated “80” products from “20” products
- Point of use inventory with reduced packaging
- Single piece flow, scalable to meet increased volume

WHAT WE GOT…

- Throughput on frames improved from 1 week to 1 day
- Preferred accessories shipping next day vs. 2-4 weeks

80/20 DELIVERS CLEAR CUSTOMER BENEFITS

80/20 FRONT-TO-BACK GUIDES OUR ORGANIZATIONAL STRUCTURE

INSTRON

WHAT WE SAW...

- Organization was designed around product technology, not customers

WHAT WE DID...

- Aligned skillsets to match customer needs within each segment
- Added sales talent to “80” segments
- Focused R&D on “80” customer pain points
- PLS’d “20” products

WHAT WE GOT...

- Better alignment and insight with “80” customers
- A clear PLS roadmap for the “20”

ORGANIZATION IS DESIGNED AROUND THE “80”

ORGANIC GROWTH FRAMEWORK

1. "80" Focused Market Penetration
2. Customer-Back Innovation
3. Strategic Sales Excellence

1 "80" FOCUSED MARKET PENETRATION:

EXAMPLE: "PICK 5" PROGRAM

WHAT WE SAW...

- Premium margins in targeted industries
- Companies that were not our customers who "looked like" current "80" customers

WHAT WE DID...

- Created a specific list of customers in targeted industries
- Required sales and service to pick 5 sites from the list
- Created value propositions specific to these customers

WHAT WE GOT...

- "Pick 5" program alone accelerated organic growth by ~100 bps

2 CUSTOMER-BACK INNOVATION

EXAMPLE: PROPRIETARY TESTING SOFTWARE

Customer Pain Point	Solution
• Ergonomics • Lost time moving from test frame to PC	• Touch-based dashboard mounted to frame • Adjustable for various operator heights
• Training new users • Time to set-up & test	• Flatter, simpler UI • Patented “quick test” function • Convenient support via Instron Connect (patented utilization of IoT)
• Re-keying information • Integration with LIMS systems	• Flexible export capability & SQL database option

INNOVATION FOCUSED ON "80" CUSTOMER PROBLEMS

3

STRATEGIC SALES EXCELLENCE

WHAT WE SAW…

- “80” markets underserved
- Varying levels of expertise across product lines

WHAT WE DID…

- Added sales resources into regions rich with “80” markets
- Repositioned existing resources to focus on “80” markets

WHAT WE GOT…

- Accelerated organic growth; outpacing market by 230 bps
- Using sales resources more efficiently

OVERALL ENTERPRISE STRATEGY IMPACT

Throughput on "80" Products	Organic Growth CAGR	Op Margin Improvement
1 Week ➔ <1 Day	1.0% ➔ 5.7%	760 bps
2012-2018E	2012-2016 / 2016-2018E	2016-2018E

ENTERPRISE STRATEGY DRIVES CUSTOMER AND FINANCIAL BENEFITS

ITW AT FULL POTENTIAL = 87 DIVISIONS AT FULL POTENTIAL

80/20 FRONT-TO-BACK PRACTICE EXCELLENCE + FULL POTENTIAL ORGANIC GROWTH

"FRONT-TO-BACK" REFERS TO:

Refined and re-invigorated proprietary approach to 80/20

- 2013-2014: Studied, evaluated, and codified best practices into a single ITW 80/20 FTB framework
- 2015: Began implementation in a focused way
- 2015-2018: Evolution: Today we have a very different view of "excellence" vs. when we started
- 80/20 FTB Steering Committee: Evaluates performance and guides continuous improvement across all 87 divisions

OUR AIM: EXCELLENCE EVERYWHERE IN THE COMPANY EVERY DAY

80/20
Front-to-Back
Practice
Excellence

ITW

80/20 FRONT-TO-BACK PRACTICE EXCELLENCE

80/20 FRONT-TO-BACK PROCESS — PHASE 1	80/20 FRONT-TO-BACK PROCESS — PHASE 2
Identify the Division's "80"	Redesign the entire division around the "80" to maximize performance, returns, and high-quality organic growth

80/20 FRONT-TO-BACK PRACTICE EXCELLENCE

80/20 FRONT-TO-BACK PROCESS PHASE 1

Identify the Division's "80"

A DATA DRIVEN APPROACH TO:

- Simplify the business
- Understand where we make our money
- Identify products/customers where we have strong differentiation/competitive advantage/solid growth potential
  - PLS products where we don't
- Develop "80" focused organic growth strategy

80/20 FRONT-TO-BACK PRACTICE EXCELLENCE

80/20 FRONT-TO-BACK PROCESS PHASE 2

Redesign the entire division around the "80" to maximize performance, returns, and high-quality organic growth

REDESIGN THE DIVISION FROM "FRONT-TO-BACK"

- Re-deploy resources to focus on the "80"
- Using proprietary ITW techniques, redesign all core business processes to optimally serve "80" customers and optimize quality, delivery and cost for our "80" products
- Implement "80" focused organic growth strategy

80/20 FTB: EXPECTED OUTCOMES

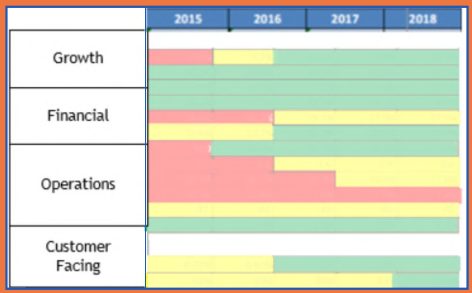
BEST-IN-CLASS "80" CUSTOMER-FACING PERFORMANCE:

- Quality
- Delivery
- Value

BEST-IN-CLASS FINANCIAL PERFORMANCE:

- Profitable Organic Growth
- Margins
- ROIC
- FCF

Division Scorecard



A DIFFERENTIATING COMPETITIVE ADVANTAGE FOR ITW

ITW

80/20 FTB: PROGRESS TO DATE

FIVE YEARS IN…

We have made considerable progress across the Enterprise in our path to full potential application of the 80/20 FTB process

THIS IS REFLECTED IN:

- Improving divisional performance metrics in every segment
- Meaningful impact on Enterprise margin improvement
- High-quality organic growth

HOWEVER, WE HAVE MORE TO DO BEFORE WE ARE AT FULL POTENTIAL

80/20 FTB: DIVISIONAL SCORECARD

80/20 FRONT-TO-BACK PROCESS PHASE 1

90% DONE

Identify the Division's "80"

80/20 FRONT-TO-BACK PROCESS PHASE 2

50% DONE

Redesign the entire division around the "80" to maximize performance, returns, and high-quality organic growth

WE ARE 70% DONE ON OUR PATH TO
"80/20 EXCELLENCE EVERYWHERE EVERY DAY"

A DIVISION'S PATH TO FULL POTENTIAL EXAMPLE #2: HOBART GERMANY

A division within Food Equipment Group

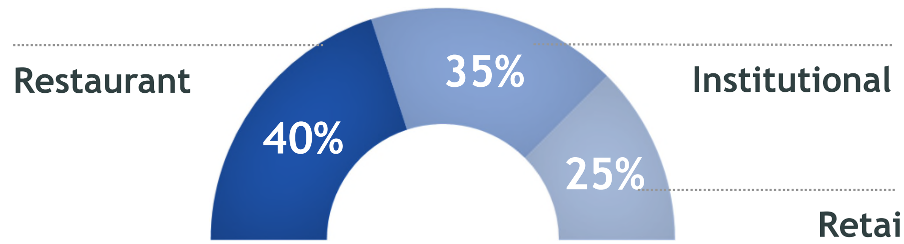
DIVISION OVERVIEW: HOBART GERMANY

Provide Industry Leading Commercial Dish Washers With **Best-in-Class Wash Performance** and **Lowest "Total Cost Of Ownership"** in Any Commercial Kitchen Environment

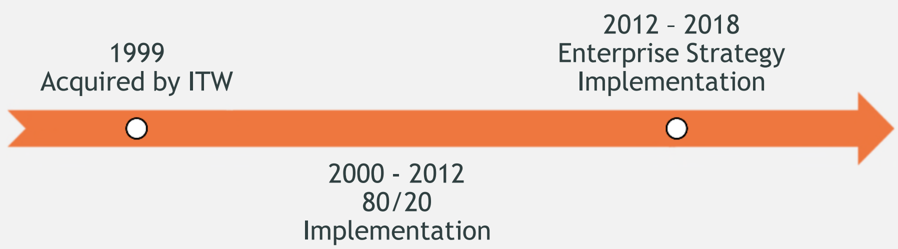
KEY FACTS

- Located in Offenburg, Germany
- R&D, Engineering, Manufacturing, Sales
- Yearly Production > 35,000 Machines
- Global Innovation Center

2018E SALES



OUR HISTORY WITH ITW



PRODUCTS & KEY MARKETS SERVED

UNDER COUNTER

HOOD TYPE

RACK & FLIGHT TYPE

RESTAURANTS

Customer Needs:

- Wash Performance & Food Safety
- Quality / Reliability

RETAIL

Customer Needs:

- Wash Performance & Food Safety
- Labor Cost Reduction

INSTITUTIONAL

Customer Needs:

- Wash Performance & Food Safety
- Total Cost of Ownership
- Quality / Reliability

80/20 FRONT-TO-BACK SIMPLIFIES OUR BUSINESS PORTFOLIO

EXAMPLE: UNDER COUNTER

WHAT WE SAW…

- 185 Product variants

WHAT WE DID…

- PLS: "20" Products
- Simplified design of "80" products

WHAT WE GOT…

- 50 Product variants, of which 5 are "80"s
- Positioned us to optimize manufacturing

PLS REDUCES COMPLEXITY AND IMPROVES COMPETITIVENESS

80/20 FRONT-TO-BACK INFORMS "WHERE WE CHOOSE TO PLAY"

FOCUS ON STRATEGIC MARKETS

- Big enough > $300M
- Dynamic growth rates
- Significant share potential

WHERE CUSTOMERS VALUE AND PAY FOR DIFFERENTIATION

FOOD SAFETY	TOTAL COST OF OWNERSHIP	QUALITY
• Highest food safety and sanitation standards • Best-in-class wash performance	• Lowest energy / water / chemicals consumption • Labor efficiency • Minimum Space	• Trusted brand • Durable and reliable • Best service offering

"80" Markets:

- Restaurant
- Retail
- Institutional

"80" Products:

- Under Counters
- Hood Type
- Rack & Flight Machines

80/20 FRONT-TO-BACK GUIDES OUR OPERATIONAL STRATEGY

HOBART

WHAT WE SAW…

- Complex assembly process
- "80" and "20" variants on same assembly-station
- 5-day lead times for "80"s
- Room to improve warranty performance

WHAT WE DID…

- Standardized components
- Separated "20" variants from "80" lines
- Flow line assembly for "80" variants
- Point of use inventory

WHAT WE GOT…

- Optimized manufacturing for "80" products
- "80" on-time delivery of 98%
- "80" lead time reduced from 5 days to 1
- Warranty cost reduced by 50%

80/20 FRONT-TO-BACK GUIDES OUR ORGANIZATIONAL STRUCTURE

HOBART

WHAT WE SAW…

- Product-focused business structure
- Lack of focus on "80" end markets and customers
  - Sales / R&D / Manufacturing

WHAT WE DID…

- Realigned organization around strategic end-markets
- Moved engineering resources from "20" to "80" product innovation

WHAT WE GOT…

- Sales and marketing focus on strategic end markets
- Close proximity to customers
- Better end market focused innovation

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ORGANIC GROWTH FRAMEWORK

1. “80” Focused Market Penetration
2. Customer-Back Innovation
3. Strategic Sales Excellence

"80" FOCUSED MARKET PENETRATION:
QSR AND RETAIL CHAINS: HAND WASHING TO AUTO WASHING

1

HOBART

WHAT WE SAW…

- Significant share of QSR and retail chain customers still using hand washing
- Food safety and sanitation are major pain points
- Highly labor intensive
- Great fit of customer need vs. our key product differentiation

WHAT WE DID…

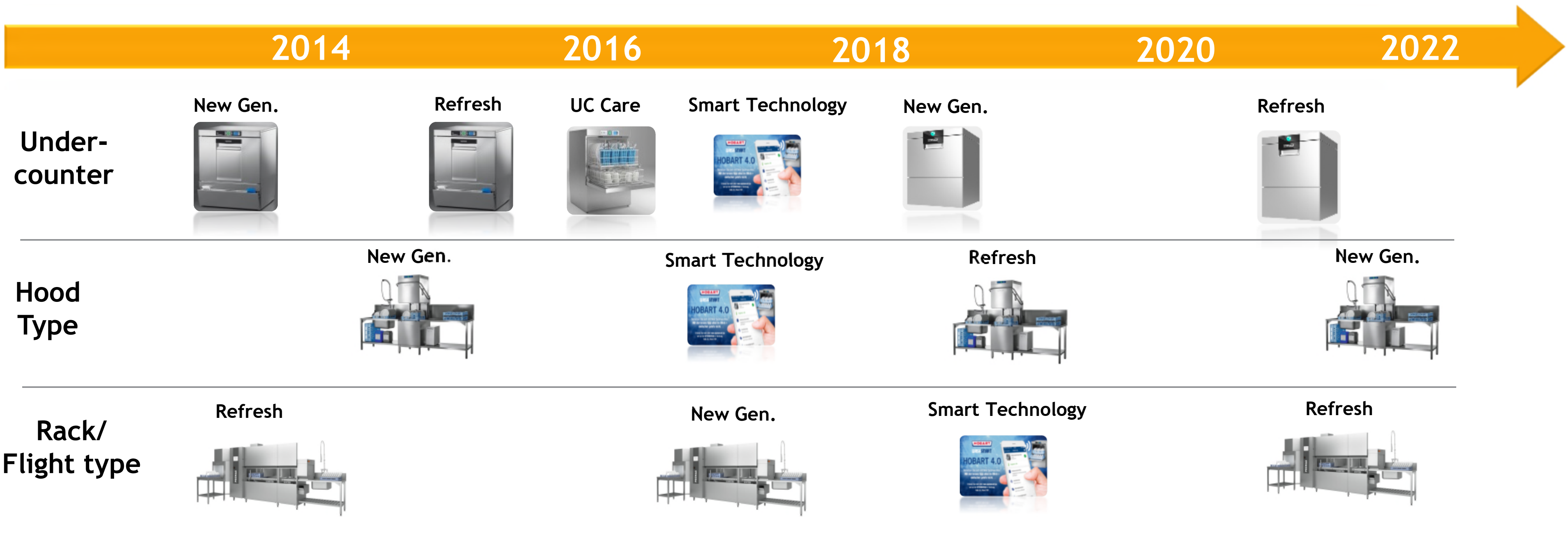
- New key account structure
- Customer proximity delivers deep customer insight
- Provided customer-back product solution addressing specific customer needs

WHAT WE GOT…

- 5-year CAGR >15% revenue growth

ITW

2 CUSTOMER-BACK INNOVATION: SERIAL INNOVATOR



300 BPS IMPROVEMENT IN GROWTH RATE FOR "80" PRODUCTS

3

STRATEGIC SALES EXCELLENCE

HOBART

WHAT WE SAW…

- Two distinct market structures:
  - Fragmented market served by distribution
  - Food Service/Retail chains with highly specific needs
- Sales force not skilled or focused in either
- Incentives not aligned with "80" growth focus

WHAT WE DID…

- Fragmented market:
  - Change from direct to distribution
  - Channel development and programs
- Large chain customers:
  - Key account structure

WHAT WE GOT…

- End market focused sales structure with sales talent/incentives aligned with "80" growth market
- Organic growth 5-year CAGR accelerated from +4% to +6%

OVERALL ENTERPRISE STRATEGY IMPACT

Lead Time on "80"s	Organic Growth CAGR		Op Margin Improvement
5 Days → 1 Day	4%	→ 6%	+640 bps
Warranty Cost (50)%			
2012-2018E	2006-2012	2012-2018E	2012-2018E

ENTERPRISE STRATEGY DRIVES CUSTOMER AND FINANCIAL BENEFITS

ITW AT FULL POTENTIAL = 87 DIVISIONS AT FULL POTENTIAL

80/20 FRONT-TO-BACK PRACTICE EXCELLENCE + FULL POTENTIAL ORGANIC GROWTH

DIVISIONAL GROWTH FRAMEWORK

1	"80" FOCUSED MARKET PENETRATION	Execute Targeted Growth Initiatives
2	CUSTOMER-BACK INNOVATION	Serial Innovation Focused on "80" Customers and End Markets
3	STRATEGIC SALES EXCELLENCE	High Performance Sales Function

ITW

1

"80" FOCUSED MARKET PENETRATION

EXECUTE TARGETED GROWTH INITIATIVES

- More intentional focus on executing market penetration
  - "80" Products to "80" Customers
    - Average market share 15-25%
  - New "80" Customers
    - With similar pain points to our existing "80"s

Divisional

Growth

Framework

2

CUSTOMER-BACK INNOVATION

SERIAL INNOVATION FOCUSED ON "80" CUSTOMERS AND END MARKETS

- Stronger strategic screen around the "80" driven by our FTB process
- Re-invigorated process … based on comprehensive review:
  - Leveraging good practice across Enterprise
  - Strong serial innovation mindset driving continuous pipeline of differentiated solutions
- Well positioned to achieve sustained contribution of 1%+ to organic growth rate

Divisional Growth Framework

ITW

3

STRATEGIC SALES EXCELLENCE

HIGH PERFORMANCE SALES FUNCTION

- Ensure that each division has a high performing sales function, considering:
  - Go-to-market strategy
  - Sales force talent and incentives
  - Sales processes
  - 80/20 mindset

Divisional Growth Framework

A DIVISION'S PATH TO FULL POTENTIAL EXAMPLE #3: HI-CONE

A division within Specialty Products

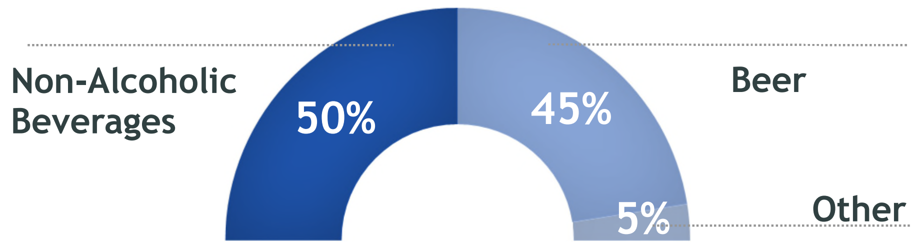
DIVISION OVERVIEW: HI-CONE

Packaging Systems for Global Beverage Markets

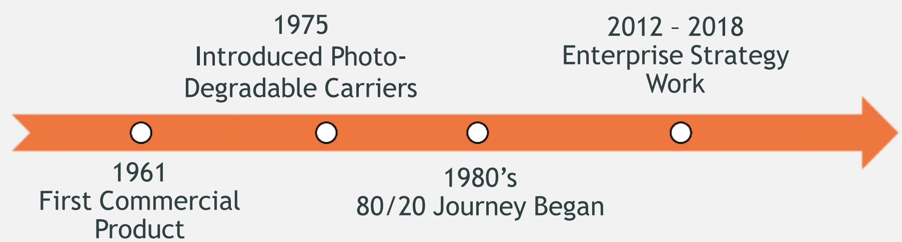
KEY FACTS

- Products & Services:
  - Multi-Pack Ring Carriers
  - Equipment
  - Service and Parts
- Geographical Mix:
  - NA: 60%
  - EU: 25%
  - LATAM: 15%
- Manufacturing Locations: 4

2018E SALES

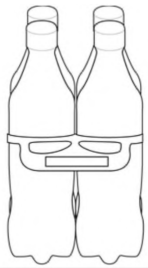


OUR HISTORY WITH ITW

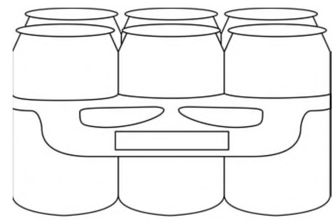


PRODUCTS & KEY MARKETS SERVED

PLASTIC BOTTLE MULTIPACKS



CAN MULTIPACKS



APPLICATION EQUIPMENT

NON-ALCOHOLIC BEVERAGES

Customer Profile:

- Global beverage companies with brand portfolios
- Soft drinks, sports drinks, water, juice …
- Distribution via independently owned bottlers

BEER

Customer Profile:

- Global beer companies with brand portfolios
- Regulated distribution
- Vertically integrated brewery operations

80/20 FRONT-TO-BACK: SIMPLIFIES OUR BUSINESS PORTFOLIO

EXAMPLE: RING CARRIERS

WHAT WE SAW…

- 205 Product variants

WHAT WE DID…

- PLS – "20" Products
- Consolidated regional designs to global standards

WHAT WE GOT…

- 111 Product variants
- PLS > 45% of Products; <1% lost revenue
- Reduced changeovers by >30%

PLS REDUCES COMPLEXITY AND IMPROVES COMPETITIVENESS

80/20 FRONT-TO-BACK INFORMS "WHERE WE CHOOSE TO PLAY"

FOCUS ON STRATEGIC MARKET SEGMENTS

- Big enough > $500M globally
- High Volume Production / Economies of Scale
- Packaging Mix: **Small Multipacks (4-12)**

WHERE CUSTOMERS VALUE & PAY FOR DIFFERENTIATION

Packaging	Channels	Consumer Driven
• Minimal packaging • Highlights the brand • Allows customer revenue / margin management	• Supports channel differentiation • Equipment and labor efficiency • Minimizes distribution costs and complexity	• Health and wellness trends • Environmental sustainability • Retail / shopping experience

"80" Markets:

- Non-Alcoholic Beverage
- Beer

"80" Products:

- Small Multipacks
- Metal Can & Plastic Bottles
- High Speed Application Equipment

80/20 FRONT-TO-BACK GUIDES OUR OPERATIONAL STRATEGY

WHAT WE SAW…

- "80"s and "20"s mixed in production
- Build-to-order production
- Long (2 Week) lead times
- Incomplete order shipments

WHAT WE DID…

- 3 of 4 plants manufacture only "80" products
- Consolidated "20" product production to 1 plant
- "20" products only available to "80" customers

WHAT WE GOT…

- Lead time on "80" products from **2 weeks** to **2 days**
- On-time/complete delivery on "80" products from **92%** to **99.7%**

80/20 FRONT-TO-BACK GUIDES OUR ORGANIZATIONAL STRUCTURE

WHAT WE SAW…

- Customers with global growth strategies / regional execution
- ITW regional structure misaligned with customer global strategy

WHAT WE DID…

- Realigned organization around markets and customers
- Created global marketing and engineering functions

WHAT WE GOT…

- Deeper understanding of common pain points
- **Global supply partnerships** with “80” customers

ORGANIC GROWTH FRAMEWORK

1. “80” Focused Market Penetration
2. Customer-Back Innovation
3. Strategic Sales Excellence

1

"80" FOCUSED MARKET PENETRATION

EXAMPLE: THE MEXICO BEER MARKET

WHAT WE SAW…

- Growing middle class/ consumption
- Modernization of retail channels from "Mom & Pop" to supermarkets
- "80" Customers with established brands

WHAT WE DID…

- Used multipacks to help "80" customers sell more beer
- Established focused factory to deliver responsive service levels
- Invested with "80" customers to install high speed machines

WHAT WE GOT…

- Revenue growth ~20% CAGR (2013 – 2018E)
- Expanded share position by ~15 percentage points

2

CUSTOMER-BACK INNOVATION

PROPRIETARY CARRIER PACKAGING

Customer Pain Point	Hi-Cone Solution
• Traditional packaging requires line changeovers every 8-15 minutes	• Fanfold® packaging allows continuous production for up to 10 hours
• Skilled labor shortage and wage inflation pressuring margins	• Revenue growth CAGR >10% (2013 – 2017)

INNOVATION FOCUSED ON "80" CUSTOMER PROBLEMS

2 CUSTOMER-BACK INNOVATION

EXAMPLE: ENVIRONMENTAL SUSTAINABILITY

WHAT WE SEE…

- Waste from plastic packaging poorly managed
- Consumer and regulatory pressure forcing brands to seek alternatives

WHAT WE ARE DOING…

- Investing to increase recycling rates of carriers
- Using recycled plastic in production of new carriers
- Investing in non-plastic/ biodegradable solutions

WHAT WE EXPECT TO GET…

- 2018+ Recovery & Reuse
- 2020 Recycled Content
- 2025 100% Recyclable / Circular / Compostable

3 STRATEGIC SALES EXCELLENCE

WHAT WE SAW…

- Direct sales calling on "80" and "20" customers
- Selling process focused on operational efficiency of equipment

WHAT WE DID…

- Dedicated key account teams for "80" customers
- Served "20" Customers via distribution
- Upskilled sales force
- Identified pain points across entire beverage value chain

WHAT WE GOT…

- Monetized customer value propositions for 4 distinct stakeholders
  - Brand Owners
  - Operations
  - Retailers
  - Consumers
- Example: Market tests in China beer segment resulted in **50% - 70%** sales volume increase

OVERALL ENTERPRISE STRATEGY IMPACT

Lead Time on "80"s	Organic Growth CAGR	Op Margin Improvement
2 wks → 2 days	(0.8%) → 6.4%	~Flat
2008-2013 → 2013-2018E	2008-2013 → 2013-2018E	2013-2018E

ENTERPRISE STRATEGY DRIVES CUSTOMER AND FINANCIAL BENEFITS

ITW AT FULL POTENTIAL = 87 DIVISIONS AT FULL POTENTIAL

PATH TO FULL POTENTIAL ORGANIC GROWTH

DIVISIONAL PERFORMANCE

CATEGORY	# OF DIVISIONS	% OF REVENUES	Q3 2018 YTD ORGANIC GROWTH
Ready to Grow/Growing	44 (51%)	55%	+7.6%
Ready to Grow/Not Yet Growing	36 (42%)	39%	(2.6)%
Long-Term Growth-Challenged	7 (7%)	6%	(4.6)%
Total Company	87	100%	+2.6%

HALF OF OUR DIVISIONS ARE GROWING AT A COMBINED 7.6%

44 DIVISIONS ARE
"READY TO GROW AND GROWING" AT OR NEAR FULL POTENTIAL

DIVISION CHARACTERISTICS:

- Highly differentiated
- Strong execution:
  - 80/20 FTB
  - Organic growth framework
    - Market Penetration
    - Customer-Back Innovation
    - Strategic Sales Excellence

+7.6%
Organic Growth*

28%
Operating Margin*

(30) bps
PLS*

* Q3 2018 YTD PERFORMANCE

36 DIVISIONS ARE
"READY TO GROW BUT NOT YET GROWING"

DIVISION CHARACTERISTICS:

- Highly differentiated with solid 80/20 FTB performance but…
  - More complex or fragmented starting point

    and/or
  - Quality of growth framework execution needs to improve

(2.6)% Organic Growth*

21% Operating Margin*

(110) bps PLS*

Achievement of 3% growth in these divisions improves Enterprise organic growth by 1.5-2%

* Q3 2018YTD PERFORMANCE

ITW

7 DIVISIONS ARE
LONG-TERM GROWTH-CHALLENGED

Have made some progress over the last 5 years, but

- We have a challenging path to achieve growth rates consistent with ITW targets
- We are currently evaluating our options, including potential divestiture of these divisions
- Organic growth YTD: (4.6)%

FINISHING THE JOB =

1-2 percentage points of additional improvement in enterprise organic growth rate

+

3-4 percentage points of additional structural margin improvement

PORTFOLIO DISCIPLINE

DIFFERENTIATED ELEMENTS OF ITW'S PORTFOLIO

- Consistent, solid organic growth
- Diverse end market and geographic exposures
- Strong, enduring competitive advantages
- No "weak links"

OUR BUSINESS SEGMENT CRITERIA

1. End markets with strong and sustainable differentiation attributes
2. Positive long-term macro fundamentals
3. Strong and durable competitive advantages with relevance to key end market trends
4. Significant potential for ITW to drive above market organic growth
5. Ability to leverage the ITW Business Model to generate consistent best-in-class margins and returns

ITW'S INDUSTRY-LEADING OPERATING SEGMENTS

HIGH-QUALITY BUSINESSES THAT IN THE AGGREGATE CAN GENERATE CONSISTENT AVERAGE ORGANIC GROWTH OF 3 TO 5% AT THE ENTERPRISE LEVEL







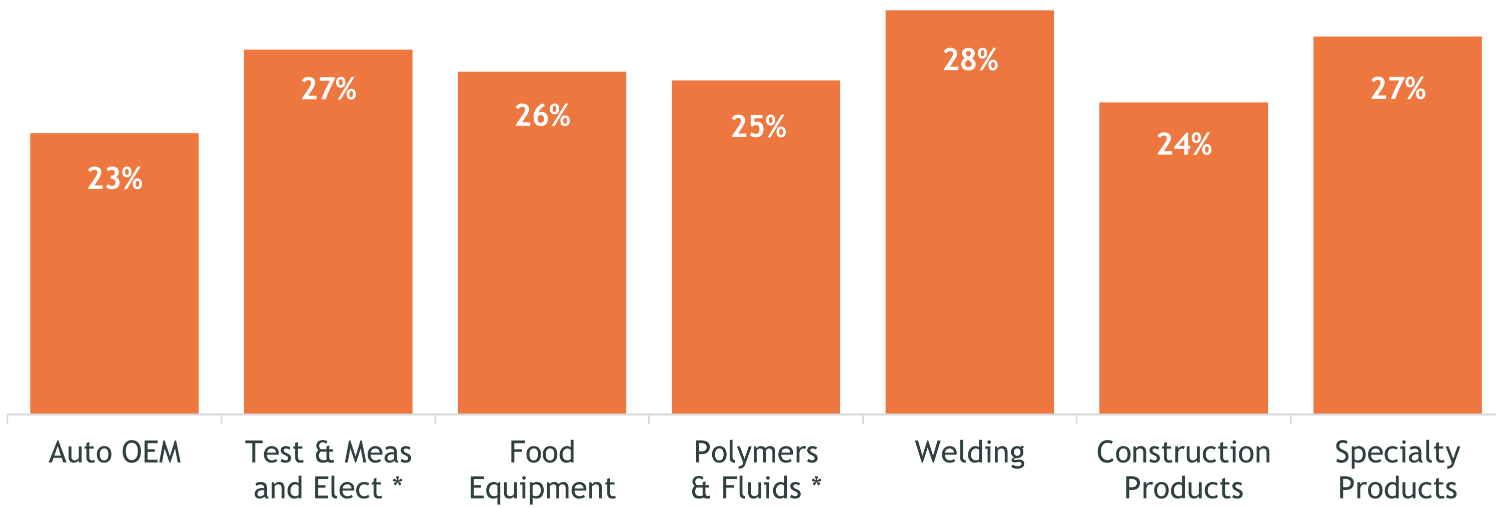
	Automotive OEM	Test & Measurement and Electronics	Food Equipment	Welding	Polymers & Fluids	Construction Products	Specialty Products
Organic Growth Target	**4 - 6%**	**3 - 5%**	**3 - 5%**	**3 - 5%**	**2 - 4%**	**2 - 4%**	**2 - 4%**

NO “WEAK LINKS”

END MARKET “FIT” + EXCELLENCE IN BUSINESS MODEL PRACTICE = CONSISTENT PERFORMANCE ACROSS ITW’S BUSINESS PORTFOLIO

ITW SEGMENT OPERATING MARGIN

2018E

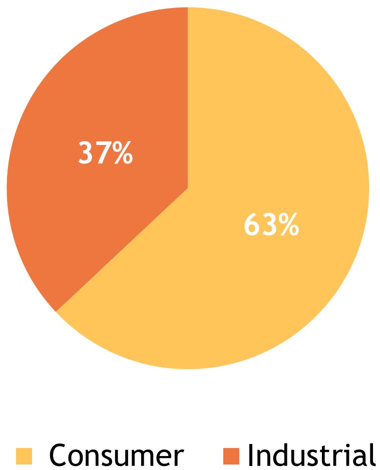


Test & Measurement and Electronics and Polymers & Fluids exclude 270 bps and 380 bps, respectively, of unfavorable operating margin impact of amortization expense related to intangible assets

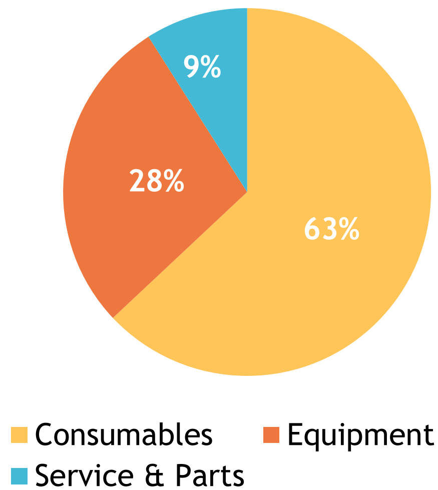
DIVERSIFICATION = RESILIENCE

Q3 2018YTD

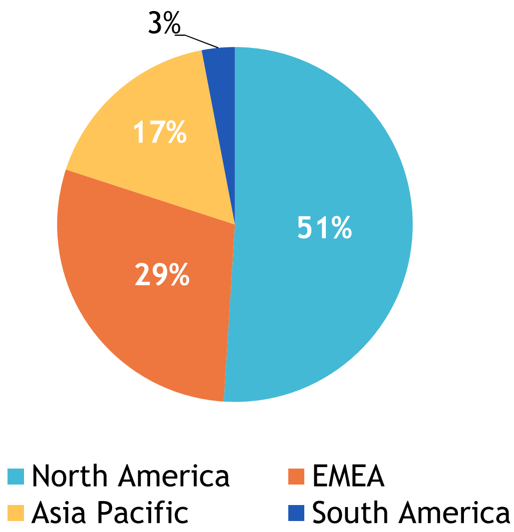
CONSUMER/INDUSTRIAL END MARKETS



EQUIPMENT/ CONSUMABLES/SERVICE



GEOGRAPHY



DIFFERENTIATED BUSINESS PORTFOLIO EXAMPLE #1: AUTOMOTIVE OEM

AUTOMOTIVE OEM

- OVERVIEW
- ENTERPRISE STRATEGY IMPACT
- ORGANIC GROWTH DRIVERS

AUTOMOTIVE OEM
16 DIVISIONS

~$3.4B	~23%	~6.0%
2018E revenues	2018E operating margin	2012-2018E Organic Growth CAGR

GLOBAL REVENUES

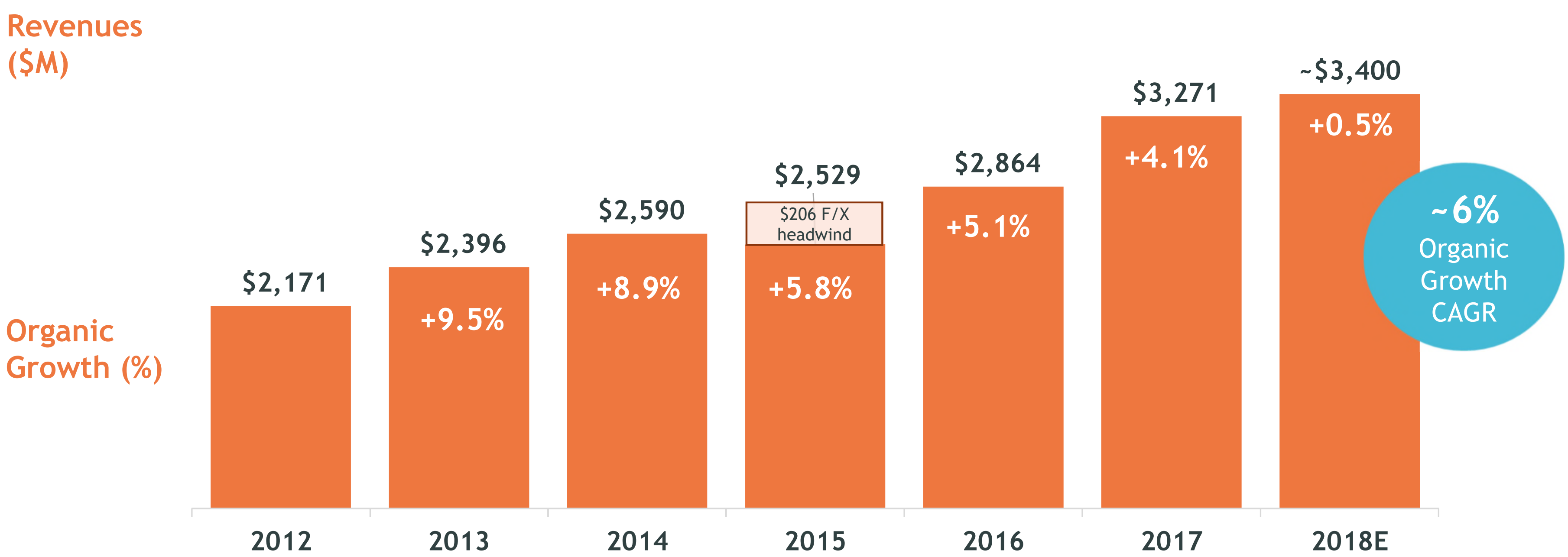
- **40%** North America
- **38%** Europe
- **22%** China / Other

STRATEGIC FOCUS

Highly focused niche supplier of components and fasteners to the global auto OEMs where we are a trusted partner providing unique innovation on a global scale with world-class consistency

ITW

AUTOMOTIVE OEM: CONSISTENT ABOVE-MARKET ORGANIC GROWTH



Consistently Delivered 200-400 bps Penetration 2012-2018E
Clear Line of Sight to Maintain

AUTO OEM: ORGANIC GROWTH OPPORTUNITY

WHY IS THIS AN OPPORTUNITY?

- Industry in the midst of significant change; increases vehicle complexity
  - Emission regulation… electric vehicles
  - Safety
  - Customer experience
  - Autonomous driving
- OEM Engineering resources are scarce… priority given to new technology creation

HOW BIG IS THE OPPORTUNITY?

ADDRESSABLE	**$230/car**
CURRENT	**$ 36/car**

Each $1/car translates to
~$90 million in annual revenue

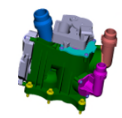
AUTO OEM ORGANIC GROWTH

- Deep engineering partnerships with Auto OEMs
- Complex injection-molding capability
- Sophisticated metal forming capability
- Ability to execute “copy exact” solutions globally
- ITW Business Model

AUTO OEM ORGANIC GROWTH: PENETRATION

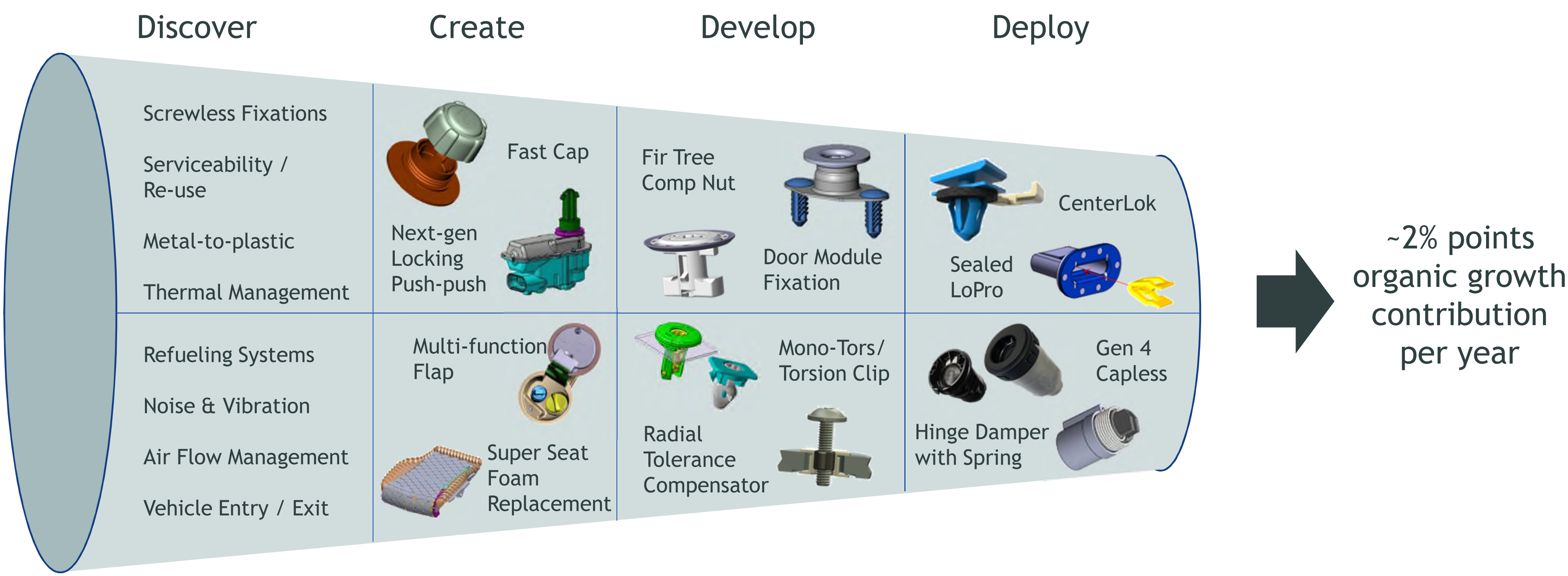
$/vehicle





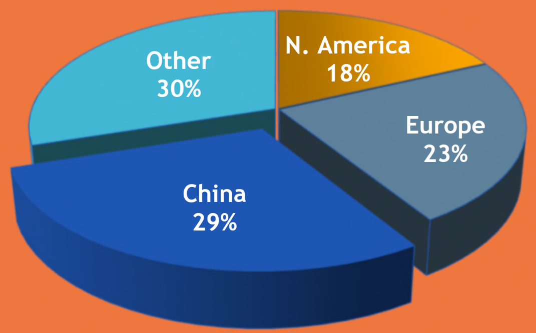

	FASTENERS	BODY & INTERIOR	POWERTRAIN	TOTAL
2017 PENETRATION	$15	$13	$8	$36
ADDITIONAL OPPORTUNITY				
AMERICAN OEMS	2	2	1	5
EUROPEAN OEMS	4	3	1	8
CHINESE OEMS	6	9	6	21
LINE OF SIGHT	$27	$27	$16	$70

AUTO OEM: SERIAL INNOVATION PIPELINE

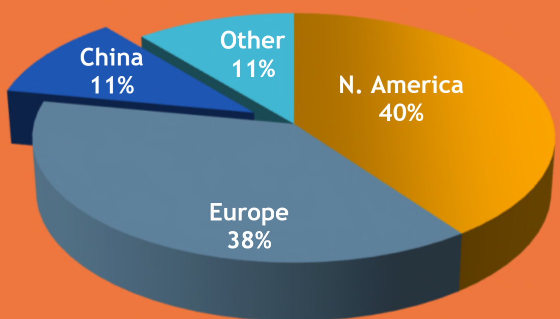


AUTO OEM ORGANIC GROWTH: CHINA

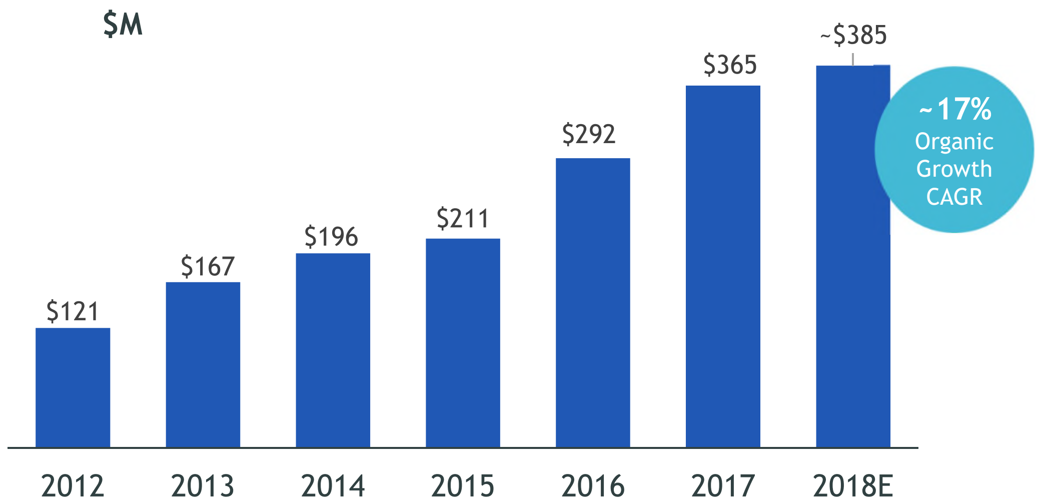
2018 Global Build Forecast



Automotive OEM Revenue Sources



CHINA AUTOMOTIVE REVENUE



$14 / car
2018E Penetration

→

$35 / car
Line of Sight

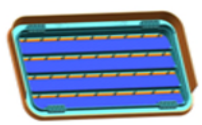
AUTO OEM ORGANIC GROWTH: ELECTRIC VEHICLES

CURRENT PRODUCTS

~$200/car


Fasteners


Headrest Bezels


PRVs

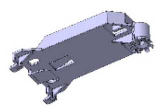

Air Registers

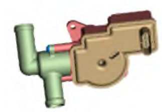

Door Handles

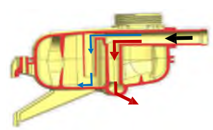

Seat Belt Buckles

NEW PRODUCTS

~$40/car


Screwless ECU


Auxiliary Cooling


Hi-flow degas tank for hybrids


Multi-function flap


Charge Ports

ITW Content Potential

Internal Combustion	$230/car
EV	$240/car
Hybrid	$250/car

AUTO OEM: KEY MESSAGES

- Auto has a highly-differentiated portfolio of products that will help sustain above-market organic growth at ITW-caliber margins

- Our organic growth potential remains as strong as ever
  - Significant opportunity remains between current content and the addressable market
  - We will bring our $/car in China closer to US/EU levels
  - EVs increase the content opportunity per vehicle

- Proactively approaching challenging short-term dynamics in key regions; strong operating capabilities position us to endure market challenges

- Maintaining a healthy pipeline of innovative solutions … addressing both the existing and the future pain points of our customers

ITW

DIFFERENTIATED BUSINESS PORTFOLIO EXAMPLE #2: TEST & MEASUREMENT AND ELECTRONICS

TEST & MEASUREMENT AND ELECTRONICS

- OVERVIEW
- ENTERPRISE STRATEGY IMPACT
- ORGANIC GROWTH DRIVERS

TEST & MEASUREMENT AND ELECTRONICS
15 DIVISIONS

~$2.2B
2018E
revenues

~26.5%
2018E
operating margin*

3-5%
organic growth
potential

GLOBAL REVENUES

41%
North
America

28%
EMEA

31%
APAC /
Other

STRATEGIC FOCUS

Design, sell, and service a range of equipment and related consumables focused on demanding research and development, process improvement, and quality control applications across a wide range of end markets

** Excludes 270 bps of unfavorable operating margin impact of amortization expense related to intangible assets*

TEST & MEASUREMENT AND ELECTRONICS

OUR HISTORY WITH ITW

2005
Instron
Acquisition

2006
Buehler,
Speedline Technologies,
Kester
Acquisitions

2007
Loma Systems,
M&C Specialties
Acquisitions

2008
QSA Global,
Vitronics Soltec,
Avery Weigh-Tronix,
Stokvis Tapes,
Ceast, GSE
Acquisitions

2010
Ion Systems,
North Star Imaging
Acquisitions

2011
Teknek,
Despatch,
AMCI
Acquisitions

2012
Brooks Instrument
Acquisition

2012-2018
Enterprise
Strategy Work

A SEGMENT BUILT ON ACQUISITIONS STARTING IN 2005

TEST & MEASUREMENT: “WHAT WE DO”

Test physical properties of materials via destructive and non-destructive methods

- *Automotive*
- *Biomedical*
- *Electronics*
- *Metals*
- *Composites*
- *Aerospace*

Precise measurement of gas and liquid flow

- *Semi / LED*
- *Chemicals*
- *Oil & Gas*
- *Pharmaceutical*
- *General Ind.*

Inspection systems for contaminant detection in food and pharma products

- *Food & Beverage*
- *Pharmaceutical*

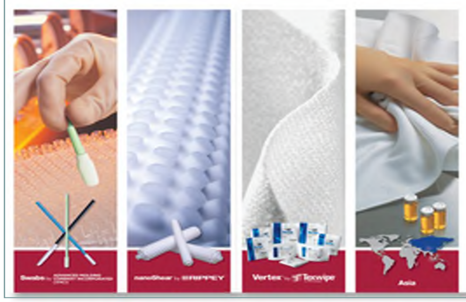
Industrial weighing systems

- *Warehouse / logistics*
- *Waste mgmt.*
- *Agriculture*
- *Pharmaceutical*
- *Food & Beverage*
- *General Ind.*

ITW

ELECTRONICS: "WHAT WE DO"

Contamination control in critical clean room applications



- Semi / LED
- Life Sciences
- Healthcare
- Consumer electronics
- General Ind.

Electrostatic control and cleaning of moving webs and flat sheets

- General Ind.
- Semi / LED
- Life Sciences
- Electronics
- Chemicals
- Food & Beverage

Assembly of electronic PCBs

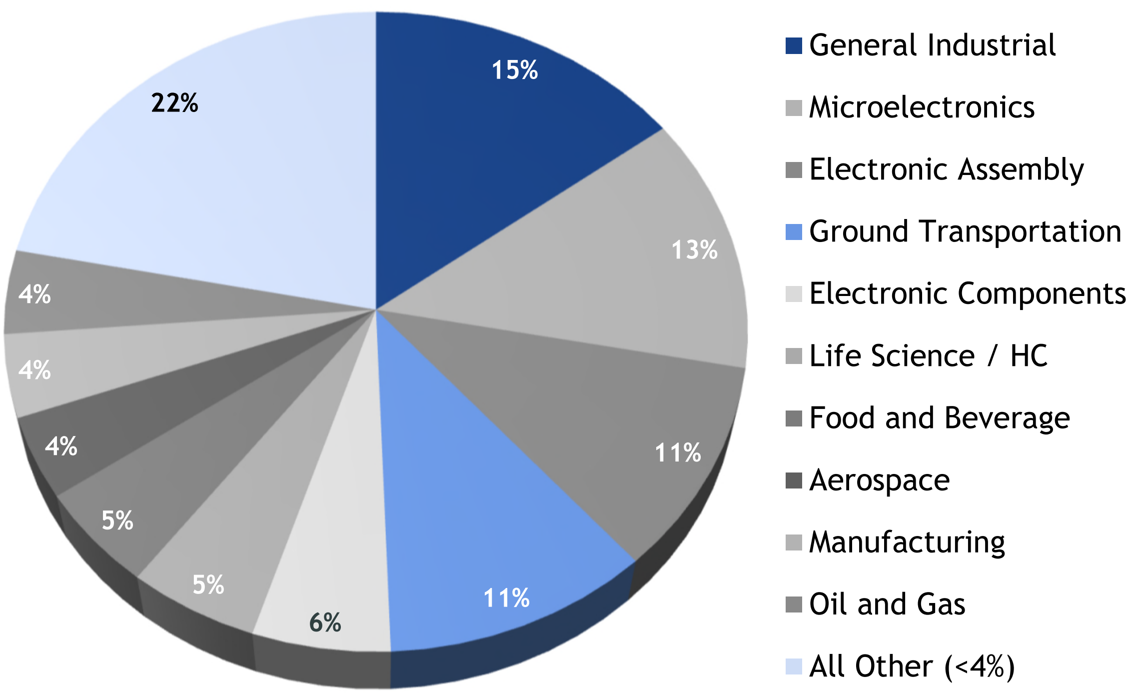
- PCB assembly
- Automotive
- Solar
- Electronics
- Semi / LED
- General Ind.

Packaging for semi/LED components; switches, LED solutions, and precision plastic components

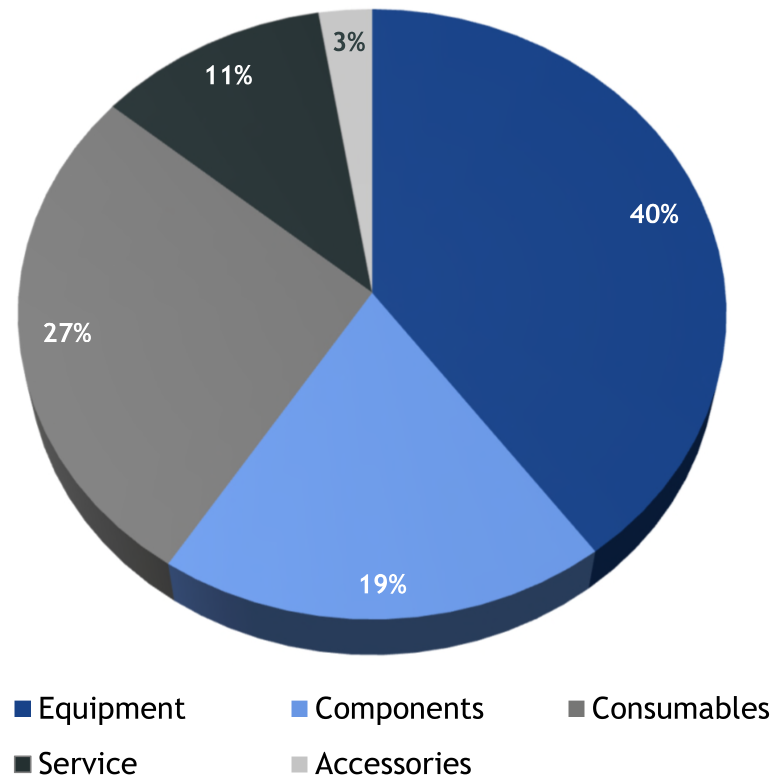
- Semi / LED
- Electronics
- PCB assembly
- General Ind.

END MARKET DIVERSIFICATION

REVENUE BY END MARKET

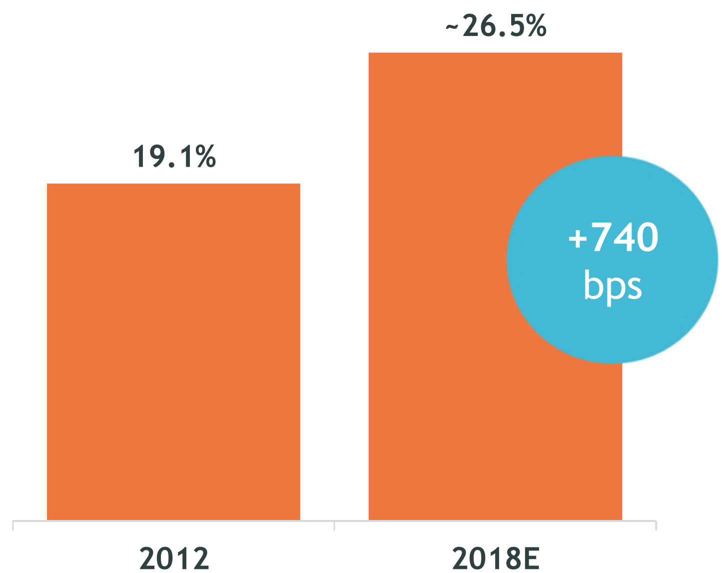


REVENUE BY PRODUCT TYPE



TEST & MEASUREMENT AND ELECTRONICS ENTERPRISE STRATEGY IMPACT

- ~4% Organic Growth CAGR over the past two years
- Operating Margin expansion ~740 bps 2012-2018E … with more to come

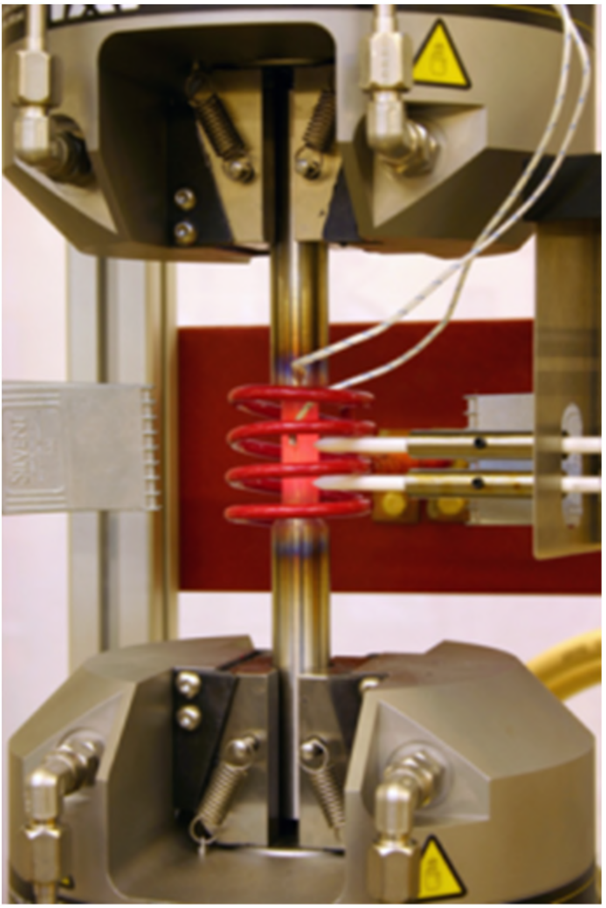


SEGMENT OPERATING MARGIN*

* *Excludes 420 bps and 270 bps, respectively, of unfavorable operating margin impact of amortization expense related to intangible assets*

T&M/E ORGANIC GROWTH DRIVERS

- Advancing global quality standards
- Increasing focus on product safety / protecting brand reputation
- Increasing regulation
- Advanced new material R&D and new material applications
- Growing use of electronics (Auto, IoT, AI, 5G, Industry 4.0, etc.)
- Speed of innovation / shortened product life cycles
- Production challenges, throughput and up-time
- Share gain opportunity (equipment and aftermarket)



T&M/E COMPETITIVE ADVANTAGES

- Market leading technology and product differentiation
- Strong customer-back innovation
- Great brand strength
- Global scale
- Significant aftermarket service and support capability
- Sophisticated solutions solve our customers most challenging problems
- ITW Business Model

T&M/E: KEY MESSAGES

- T&M/E is a very strong space for ITW
- Confident in our ability to grow 3-5 % organically
  - Attractive end market trends
  - Further share penetration opportunity (15-25%)
  - ITW specific competitive advantages
- Despite strong gains to date, we expect further margin improvement

SELECTIVE HIGH-QUALITY ACQUISITIONS

TO SUPPLEMENT ITW'S LONG-TERM ORGANIC GROWTH POTENTIAL

ACQUISITIONS

HIGHLY SELECTIVE ACQUISITIONS THAT ARE ACCRETIVE TO THE LONG-TERM ORGANIC GROWTH POTENTIAL OF THE COMPANY

- **TIGHT STRATEGIC FIT**: Highly targeted acquisitions that expand ITW's long-term organic growth potential

AND ...

- **80/20 IMPACT**: The potential to generate significant margin improvement and ITW-caliber returns from the application of ITW's 80/20 Front-to-Back Process

We will use Acquisitions ONLY to Reinforce and Further Enhance ITW's Organic Growth Potential

ACQUISITION CRITERIA

1. Great “raw material” = substantial opportunity to generate significant differentiated competitive advantage from the ITW Business Model long-term
2. Strong potential for sustained above-market organic growth
3. Substantial margin improvement potential from 80/20 FTB
4. Bolt-on or new segment
5. ITW-caliber margins by end of year seven
6. 20%+ after-tax ROIC by end of year ten

FURTHER PORTFOLIO REFINEMENT

POTENTIAL DIVESTITURE OF 7 LONG-TERM GROWTH-CHALLENGED DIVISIONS

- Potential divestitures of up to ~$1B in revenues
- EPS dilution would be offset by incremental share repurchases

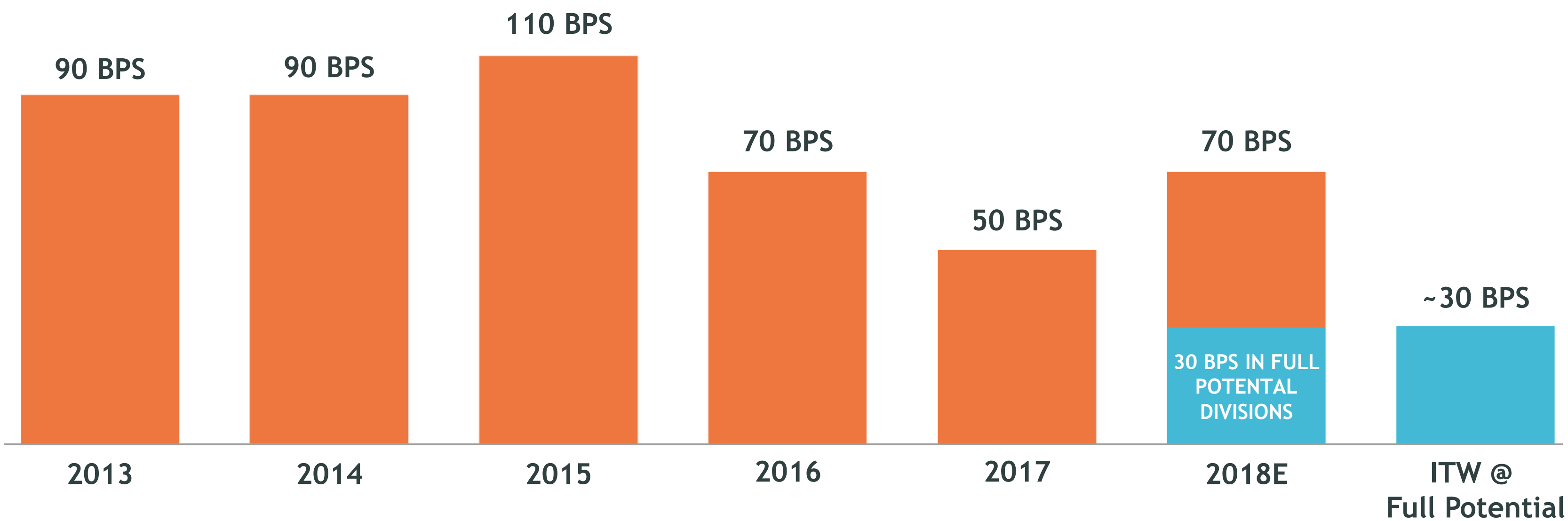
+50 bps
Organic Growth Rate

+100 bps
Operating Margin

EPS Neutral

PRODUCT LINE SIMPLIFICATION (PLS)

ANNUAL IMPACT ON ITW'S ORGANIC GROWTH RATE

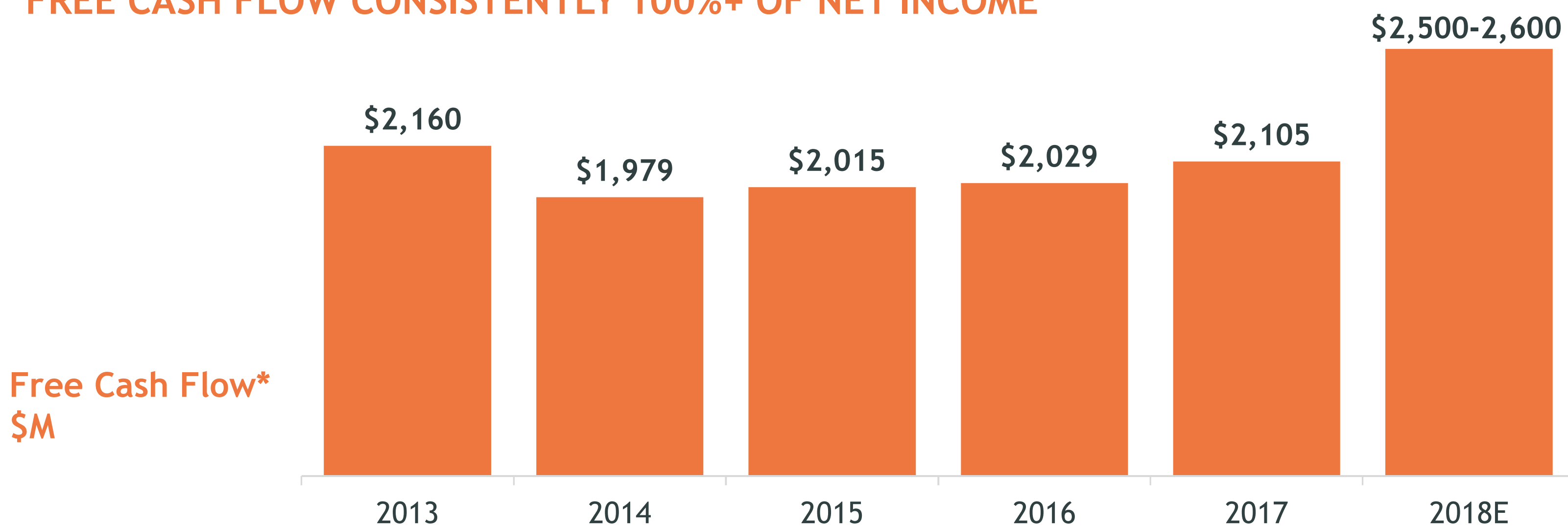


FINISH THE JOB: APPROACHING ONGOING MAINTENANCE PLS OF (30) BPS

CAPITAL ALLOCATION FRAMEWORK

HIGH QUALITY OF EARNINGS

FREE CASH FLOW CONSISTENTLY 100%+ OF NET INCOME



	2013	2014	2015	2016	2017	2018E
FCF Conversion	129%	110%	106%	100%	125%	100%+

* *See Appendix for GAAP to non-GAAP reconciliations*

DISCIPLINED CAPITAL ALLOCATION

- We only invest in areas of opportunity where we can leverage the ITW Business Model to create a compelling competitive advantage and deliver differentiated financial performance
- Investment is more than capital
- Rather than pursue lower-return, higher-risk opportunities that reside outside of our core strengths and capabilities, we choose to return surplus capital to our shareholders

Underpinning our Enterprise Strategy…

… is a Highly Focused and Disciplined Approach to Capital Allocation

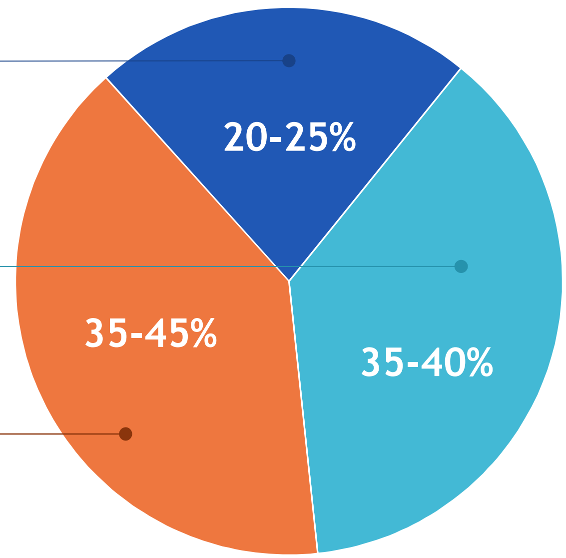
ITW

DISCIPLINED CAPITAL ALLOCATION

OUR PRIORITIES SINCE 2013:

1. **INTERNAL INVESTMENTS** to support organic growth and sustain core businesses
2. An **ATTRACTIVE DIVIDEND**
3. **EXTERNAL INVESTMENTS**

% OF OPERATING CASH FLOW



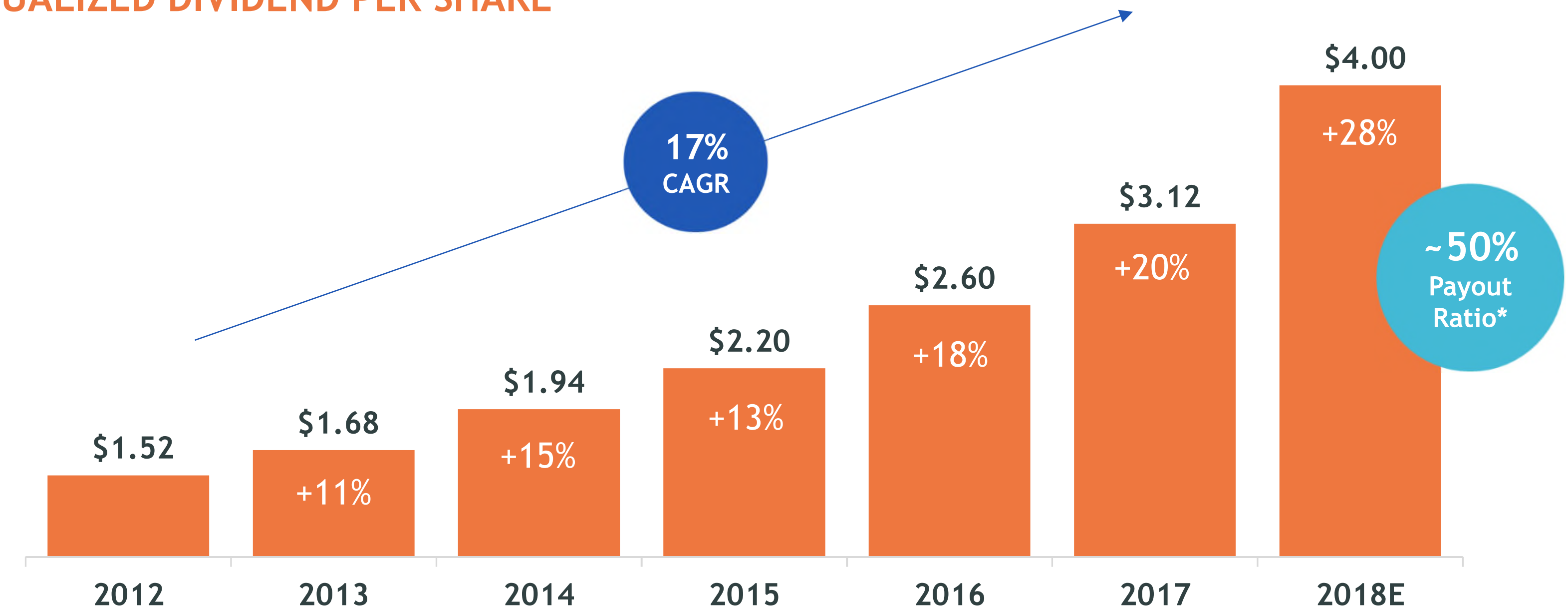
DISCIPLINED CAPITAL ALLOCATION

TOP PRIORITY: INTERNAL INVESTMENTS THAT SUPPORT ORGANIC GROWTH AND SUSTAIN OUR CORE BUSINESSES

- All internal investments that meet our criteria are fully funded
- Capital is allocated to discrete projects and strategies, not “lump sum” to the businesses
- Operating cash allocated to internal investments is an outcome of how we run the businesses, not a target
- We have invested ~$3.6B in CapEx, Customer-Back Innovation and Simplification projects since 2012

55-YEAR HISTORY OF DIVIDEND GROWTH

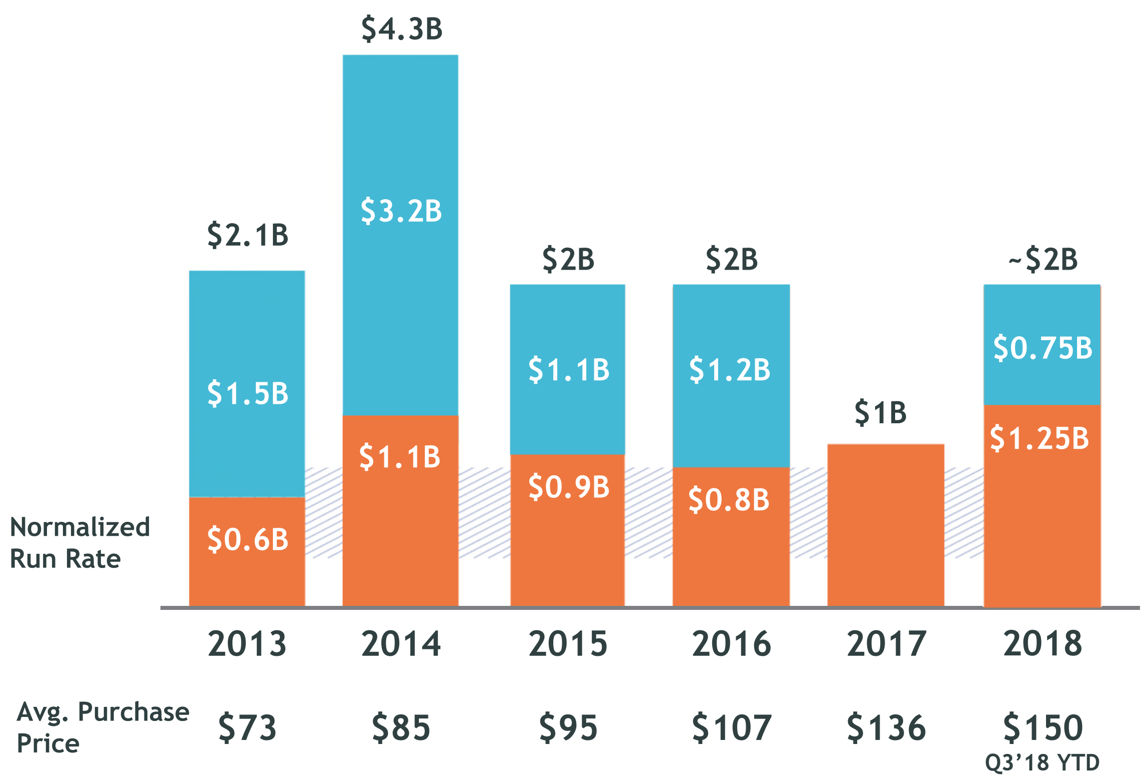
ANNUALIZED DIVIDEND PER SHARE



AN IMPORTANT COMPONENT OF THE TOTAL RETURNS ITW GENERATES FOR SHAREHOLDERS

**Dividend payout ratio = Annual dollars paid as a % of Free Cash Flow*

SHARE REPURCHASES



- $13.4B of surplus capital returned to shareholders since 2012
- ~$1.5B normalized run rate going forward
- Significant capacity for additional share repurchases/ acquisitions remains

"FINISH THE JOB"
FINANCIAL PERFORMANCE

INCREMENTAL PERFORMANCE IMPROVEMENT FROM "FINISHING THE JOB"

ORGANIC GROWTH

Current Growth Rate	2 to 3%
+ All divisions at full potential	1.5 to 2%
+ Potential divestiture impact	0.5%
Core ITW growth @ full potential	3 to 5%

STRUCTURAL MARGIN IMPROVEMENT

Current Operating Margin	24 to 25%
+ 80/20 FTB Excellence	1.5 to 2.5%
+ Strategic Sourcing	0.5%
+ Potential divestiture impact	1%
Core ITW margin in 2023	~28%

+1-2% OF ORGANIC GROWTH AND +3-4% OF MARGIN IMPROVEMENT BY 2023

ITW

ITW'S CORE BUSINESS IN 2023:

~28% Operating Margin	~40% After-tax ROIC	3 - 5% Organic Growth incl. 30 bps PLS	35% Incremental Margin	7 - 10% EPS Growth	100+% Free Cash Flow as % of Net Income	~50% Dividend Payout Ratio

SOLID ORGANIC GROWTH WITH BEST-IN-CLASS MARGINS AND RETURNS … CONSISTENTLY

FINISHING THE JOB: WHAT IT WILL MEAN

OVER ANY 5-YEAR PERIOD:

- ✓ Organic Growth . . . Peer Group Average or Better
- ✓ EPS Growth . . . . . Top Quartile of Peer Group
- ✓ Dividend Growth . . Top Quartile of Peer Group
- ✓ Best-in-class Margins and ROIC
- ✓ Free Cash Flow 100%+ of Net Income

PRELIMINARY 2019 GUIDANCE

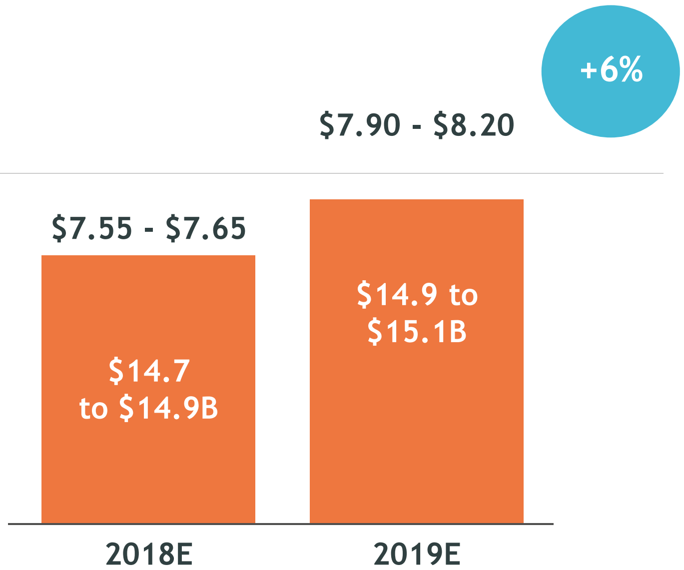
2018 EPS GUIDANCE: ON TRACK

15% EPS GROWTH YEAR-OVER-YEAR

* *See Appendix for GAAP to non-GAAP reconciliations.*

PRELIMINARY 2019 GUIDANCE

	2018E	2019E
EPS	$7.55 - $7.65	$7.90 - $8.20 (+6%)
REVENUE	$14.7 to $14.9B	$14.9 to $15.1B
OPERATING MARGIN	24-25%	+ ~100 bps
AFTER-TAX ROIC	27-28%	+ ~200 bps



- Organic growth of **2 to 4%**
  - Automotive OEM ~flat
  - PLS (80) bps
- EPS growth of **6%** at the mid-point
- Enterprise Initiatives **~100 bps**
- Free Cash Flow **100%+**
- Share repurchase **$1.5B**

2019 PRICE/COST

- Raw material cost inflation has continued to moderate in 2H'18
  - Planning for 2-3% raw material cost inflation in 2019 vs. ~3% in 2018
- Expect pricing actions to more than offset raw material cost inflation in 2019 on a $ for $ basis
  - 2019 margin dilution impact expected to improve from (~60) bps in 2018
- Adjusting pricing to offset estimated ~$60 million tariff impact in 2019 based on currently announced tariffs/section 301 and carryover
  - Impact on ITW is mitigated by our global "produce where we sell" strategy and the fact that only ~2% of our spend is sourced from China

ITW

SUMMARY / MOVING FORWARD

ITW: OUR PATH TO FULL POTENTIAL

- Powerful and Proprietary Business Model
- Diversified High-Quality Business Portfolio
- Strong Cash Generator and Disciplined Allocator of Capital
- Additional Long-term Growth Optionality from Selective High Quality Acquisitions
- Consistent Top-tier Performance over the Long-term

ITW: OUR PATH TO FULL POTENTIAL

- Powerful and Proprietary Business Model
  - Differentiated and sustainable competitive advantage
  - Executing a well-defined and focused plan to leverage it to full-potential
    - We've made significant progress … but more work to be done
- Diversified High-Quality Business Portfolio
- Strong Cash Generator and Disciplined Allocator of Capital
- Additional Long-term Growth Optionality from Selective High Quality Acquisitions
- Consistent Top-tier Performance over the Long-term

By end of 2022:

- 1-2% of additional improvement in enterprise organic growth rate
- 3-4% of additional structural margin improvement

ITW: OUR PATH TO FULL POTENTIAL

- Powerful and Proprietary Business Model
- **Diversified High-Quality Business Portfolio**
  - Consistent long-term performance
  - Resilience in the face of inevitable market fluctuations/cycles
  - No “weak links”
- Strong Cash Generator and Disciplined Allocator of Capital
- Additional Long-term Growth Optionality from Selective High Quality Acquisitions
- Consistent Top-tier Performance over the Long-term

ITW: OUR PATH TO FULL POTENTIAL

- Powerful and Proprietary Business Model
- Diversified High-Quality Business Portfolio
- **Strong Cash Generator and Disciplined Allocator of Capital**
  - Fully invested to support full-potential performance, innovation and growth across all 87 of our divisions
  - Strong cash generation combined with disciplined capital allocation support consistent cash returns to shareholders that will continue to grow in line with earnings over time
- Additional Long-term Growth Optionality from Selective High Quality Acquisitions
- Consistent Top-tier Performance over the Long-term

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ITW: OUR PATH TO FULL POTENTIAL

- Powerful and Proprietary Business Model
- Diversified High-Quality Business Portfolio
- Strong Cash Generator and Disciplined Allocator of Capital

- **Additional Long-term Growth Optionality from Selective High Quality Acquisitions**
  - Opportunities to supplement portfolio to reinforce or further enhance ITW's long-term organic growth potential
  - ITW's margin improvement capability is a critical differentiator…

- Consistent Top-tier Performance over the Long-term

ITW: OUR PATH TO FULL POTENTIAL

- Powerful and Proprietary Business Model
- Diversified High-Quality Business Portfolio
- Strong Cash Generator and Disciplined Allocator of Capital
- Additional Long-term Growth Optionality from Selective High Quality Acquisitions

- **Consistent Top-tier Performance over the Long-term**

ITW in 2023:						
~28% Operating Margin	~40% After-tax ROIC	3 - 5% Organic Growth	35% Incremental Margin	7 - 10% EPS Growth	100+% FCF Conversion	~50% Dividend Payout Ratio

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ITW: OUR PATH TO FULL POTENTIAL

SIX YEARS IN…

We are better than we've ever been on many key performance dimensions

BUT WHILE WE'VE MADE A LOT OF PROGRESS…

We've got more work to do in order to reach our full-potential (90%/70%/60%)

WE ARE 100% FOCUSED ON TAKING ITW ALL THE WAY TO FULL POTENTIAL…

…TO FINISHING THE JOB!

ITW

BREAK

Q&A

APPENDIX

GAAP TO NON-GAAP RECONCILIATIONS

Operating Margin %	Test & Measurement and Electronics								Polymers & Fluids	
	2012	2013	2014	2015	2016	2017	Q3 YTD 2018	2018E	Q3 YTD 2018	2018E
Total Operating Margin	14.9%	14.8%	15.4%	16.3%	18.9%	22.4%	23.9%	~24%	21.4%	~21%
Amortization expense from acquisition-related intangible assets	4.2%	4.0%	3.8%	4.1%	3.8%	3.2%	2.7%	~3%	3.8%	~4%
Adjusted Operating Margin %	19.1%	18.8%	19.2%	20.4%	22.7%	25.6%	26.6%	~27%	25.2%	~25%

Free Cash Flow & % to Net Income Dollars in millions	For the Years Ended December 31,					
	2013	2014	2015	2016	2017	2018E
Net cash provided by operating activities	$ 2,528	$ 1,616	$ 2,299	$ 2,302	$ 2,402	
Less: Additions to plant and equipment	(368)	(361)	(284)	(273)	(297)	
Add: Tax payments related to the disposition of the Industrial Packaging business	-	724	-	-	-	
Free cash flow	$ 2,160	$ 1,979	$ 2,015	$ 2,029	$ 2,105	$ 2,500-$ 2,600
Net income (loss), as reported	$ 1,679	$ 2,946	$ 1,899	$ 2,035	$ 1,687	$ 2,500-$ 2,600
Less: After-tax gain on the disposition of the Industrial Packaging business	-	(1,148)	-	-	-	-
Adjusted net income	$ 1,679	$ 1,798	$ 1,899	$ 2,035	$ 1,687	$ 2,500-$ 2,600
Free cash flow to net income conversion rate	129%	110%	106%	100%	125%	100%+

GAAP TO 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
Tax Rate	29.2%
Taxes	(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	773
Total invested capital	$ 12,814
Average invested capital	$ 13,140
Adjustment for Decorative Surfaces	(274)
Adjustment for Industrial Packaging	(1,504)
Adjusted average invested capital	$ 11,362
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

Diluted EPS	For the Year Ended December 31, 2017
As reported	$ 4.86
Discrete tax charge related to 2017 U.S. tax legislation	(1.90)
Confidential legal settlement	0.17
As adjusted	$ 6.59

Peer Group Definitions

Automotive OEM: Actuant, Allison Transmission, Anixter, Delphi and BorgWarner
Test & Measurement/Electronics: Ametek, Fortive, Keysight, Mettler-Toledo, Renishaw, Spectris and Thermo Fisher
Food Equipment: Welbilt and Middleby
Polymers and Fluids: 3M, DowDuPont and Huntsman
Welding: Kennametal, Lincoln Electric and Colfax
Construction Products: Carlisle, Crane, Ingersoll-Rand, Masco and Stanley Black and Decker
Specialty Products: Ball, Berry Plastics, and Bemis

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