



THIRD QUARTER 2020 EARNINGS CONFERENCE CALL

OCTOBER 23, 2020



FORWARD-LOOKING STATEMENT

SAFE HARBOR STATEMENT

This presentation and related conference call contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may include, without limitation, statements regarding the potential effects of the COVID-19 pandemic, related government actions and the Company's strategy in response thereto on the Company's business, the anticipated duration of the Company's COVID-19 containment and recovery phases, the Company's fiscal 2020 financial performance expectations, projections and ranges, expected impact of tariffs and raw material inflation, product line simplification activities and enterprise initiatives, future financial performance, operating performance, free cash flow, organic and total revenue, operating margin, price/cost impact, statements regarding diluted income per share, restructuring expenses and related benefits, expected adjustments to capacity and cost structure, expected dividend payments, expected repatriation, after-tax return on invested capital, expected total shareholder returns, effective tax rates, exchange rates, automotive build rates, timing and amount of share repurchases, if any, end market economic and regulatory conditions, potential acquisitions and dispositions and related impact on financial results, and plans regarding the issuance of guidance. These statements are subject to certain risks, uncertainties, assumptions, 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 2019 and subsequent reports filed with the SEC.

NON-GAAP MEASURES

The Company uses certain non-GAAP measures in discussing the Company's performance. The reconciliation of those measures to the most comparable GAAP measures is detailed in ITW's press release for the third quarter of 2020, which is available at www.itw.com, together with this presentation. The Free Cash Flow outlook is based on assumptions that are difficult to predict, and a reconciliation to the most comparable GAAP measure has been omitted due to the unreasonable efforts required in connection with such a reconciliation and the lack of availability of reliable forward-looking cash flow information.

Q3'20 FINANCIAL PERFORMANCE

GAAP EPS	\$2.04	\$1.01	\$1.83
REVENUE	\$3.5B	\$2.6B	\$3.3B
	Q3'19	Q2'20	Q3'20
OPERATING MARGIN	25.0%	17.5%	23.8%
AFTER-TAX ROIC*	29.2%	16.8%	29.6%

COMMENTARY

- Solid recovery progress as revenue was up 29% vs. Q2
 - Organic revenue (5)% vs. (27)% in Q2
- Operating margin of 23.8%
 - Enterprise Initiatives contribute 120 bps
 - Remained invested in key initiatives supporting the execution of our long-term enterprise strategy
- After-tax ROIC* of 29.6%
- Free cash flow* of \$631M, 108% of net income

STRONG OPERATIONAL AND FINANCIAL PERFORMANCE



* See ITW's third quarter 2020 press release for the reconciliation from GAAP to non-GAAP measures.

Q3 RECOVERY / RESPONSE BY SEGMENT

ORGANIC REVENUE

	<u>Q2'20</u>	<u>Q3'20</u>
Automotive OEM	(53)%	(5)%
Food Equipment	(38)%	(20)%
T&M / Electronics	(11)%	(2)%
Welding	(25)%	(10)%
Polymers & Fluids	(14)%	+6%
Construction Products	(9)%	+8%
Specialty Products	(16)%	(5)%
Total ITW	(27)%	(5)%

OPERATING MARGIN

	<u>Q2'20</u>	<u>Q3'20</u>
Automotive OEM	(7.8)%	20.8%
Food Equipment	9.2%	19.6%
T&M / Electronics	25.7%	27.2%*
Welding	21.6%	27.9%
Polymers & Fluids	23.1%	26.6%
Construction Products	23.7%	28.1%
Specialty Products	25.4%	28.0%**
Total ITW	17.5%	23.8%



* Excludes 350 basis points of unfavorable operating margin impact related to the recapture of amortization and depreciation expense related to a business previously classified as held for sale.

** Excludes 280 basis points of unfavorable operating margin impact related to the impact of a one-time customer cost-sharing settlement.

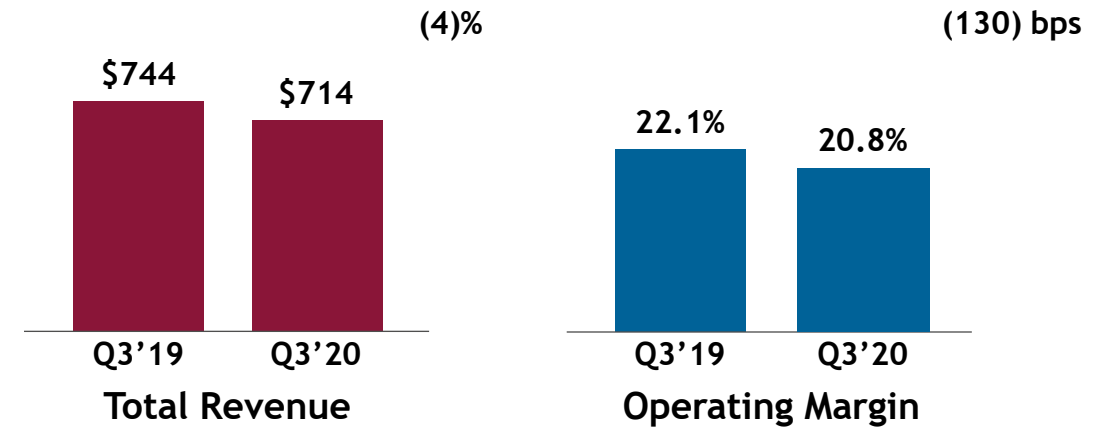
Q3'20 PERFORMANCE

ORGANIC REVENUE BY GEOGRAPHY

	<u>Q2'20</u>	<u>Q3'20</u>
North America	(26)%	(5)%
EMEA	(37)%	(8)%
Asia Pacific	(7)%	+3%
China	+1%	+10%
Total ITW	(27)%	(5)%

RECOVERY ACROSS ALL GEOGRAPHIES

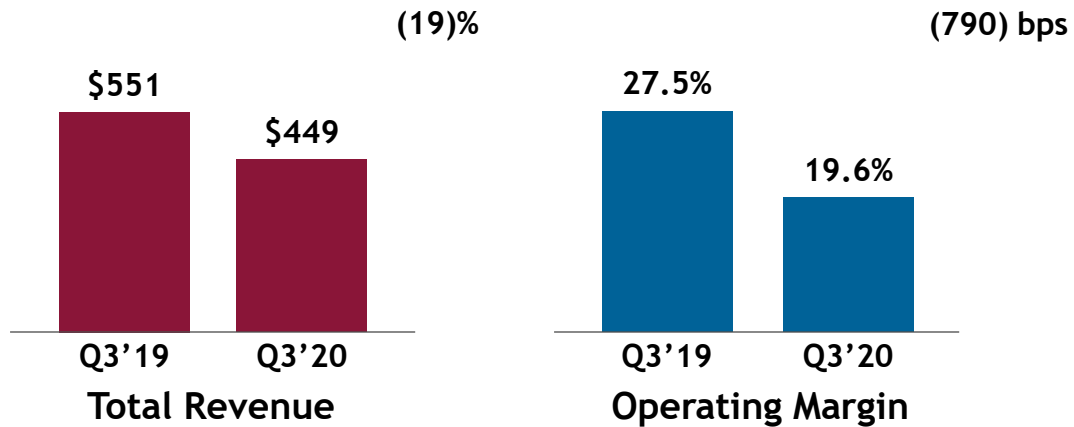
AUTOMOTIVE OEM



- Organic revenue (5)%
- North America (10)%
- Europe (5)%
- China 15%

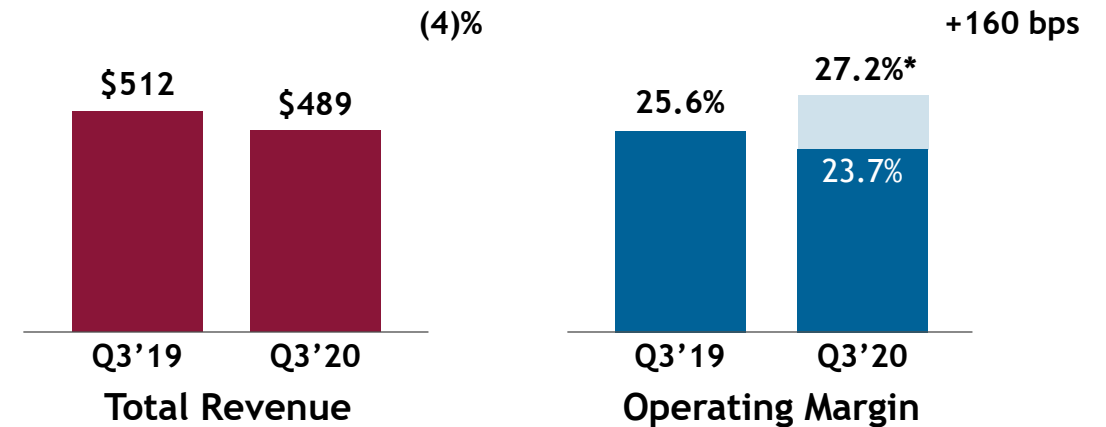
Q3'20 SEGMENT PERFORMANCE

FOOD EQUIPMENT



- Organic revenue (20)%
- Equipment (21)%, Service (17)%
- North America (19)%
- International (20)%

TEST & MEASUREMENT/ELECTRONICS

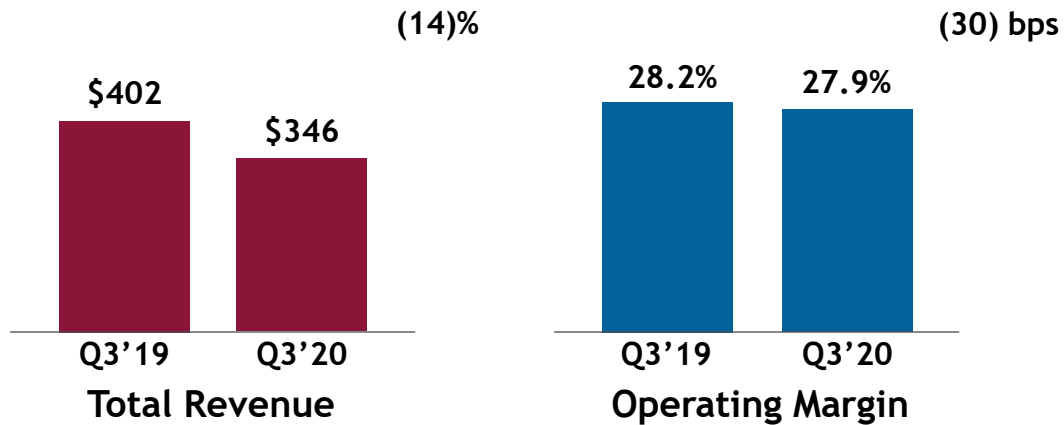


- Organic revenue (2)%
- Test & Measurement (6)%
- Electronics 2%

* Excludes the recapture of amortization and depreciation expense related to a business previously classified as held for sale.

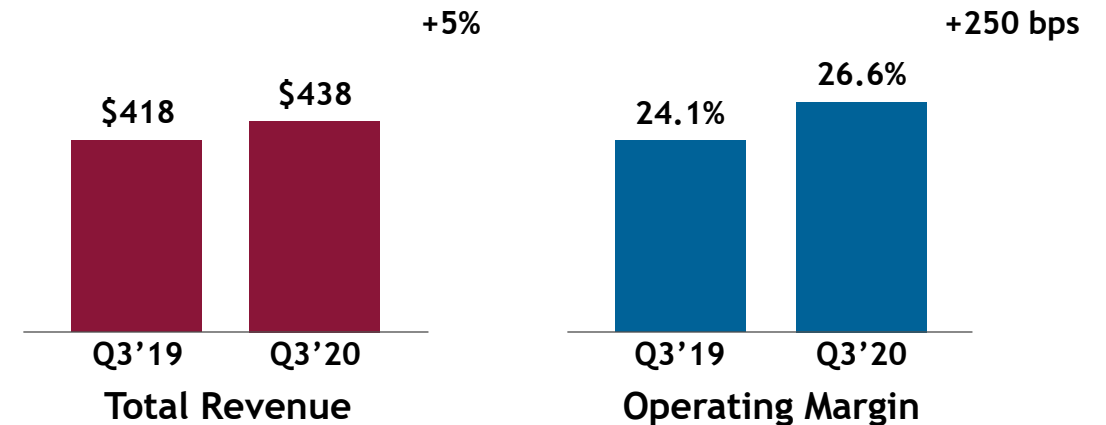
Q3'20 SEGMENT PERFORMANCE

WELDING



- Organic revenue (10)%
- Equipment (10)%, Consumables (10)%
- North America (9)%, International (16)%

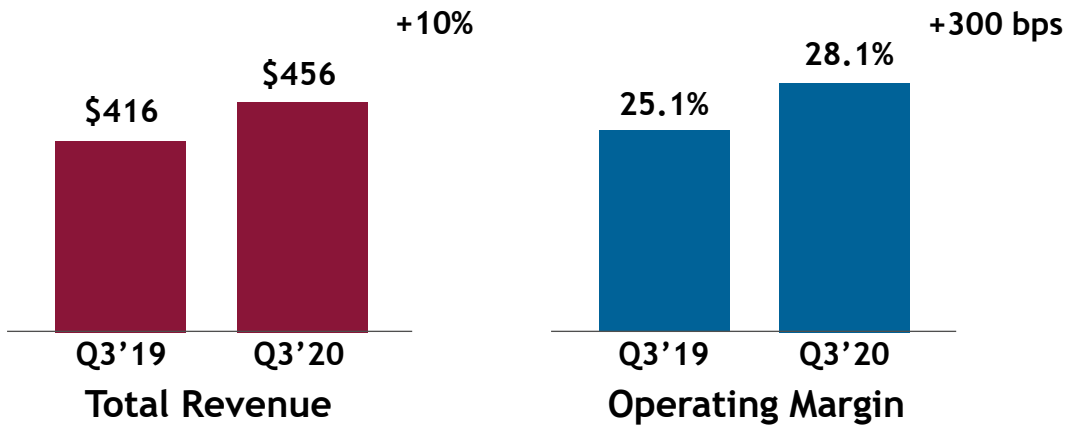
POLYMERS & FLUIDS



- Organic revenue 6%
- Automotive Aftermarket 10%
- Fluids 6%
- Polymers flat

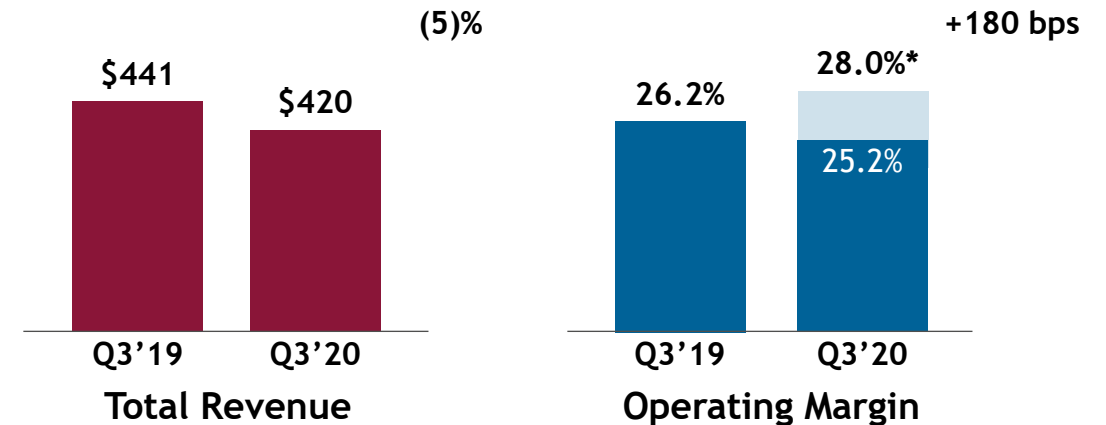
Q3'20 SEGMENT PERFORMANCE

CONSTRUCTION PRODUCTS



- Organic revenue 8%
- North America 12%
- Europe 6%
- Australia/New Zealand 3%

SPECIALTY PRODUCTS



- Organic revenue (5)%
- North America (4)%
- International (7)%

* Excludes the impact of a one-time customer cost-sharing settlement.



FULL YEAR 2020 FINANCIAL OUTLOOK

Organic Revenue

(11) - (11.5)%

Operating Margin

22 - 22.5%

Operating Income

\$2.7 - 2.8B

We expect to provide FY'21 guidance when we release FY'20 results in February '21

Q&A