SECOND QUARTER 2021 EARNINGS CONFERENCE CALL

JULY 30, 2021

ITW

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 duration and potential effects of the COVID-19 pandemic, related government actions and the Company's strategy in response thereto on the Company's business, expected impact of tariffs and raw material inflation, product line simplification activities and enterprise initiatives, future financial and 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 dividend payments, expected repatriation, after-tax return on invested capital, effective tax rates, exchange rates, expected access to liquidity sources, expected capital allocation, expected timing and amount of share repurchases, end market economic and regulatory conditions, potential acquisitions and dispositions and related impact on financial results, including statements with respect to the anticipated acquisition of the MTS Test & Simulation business, and the Company's 2021 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 2020.

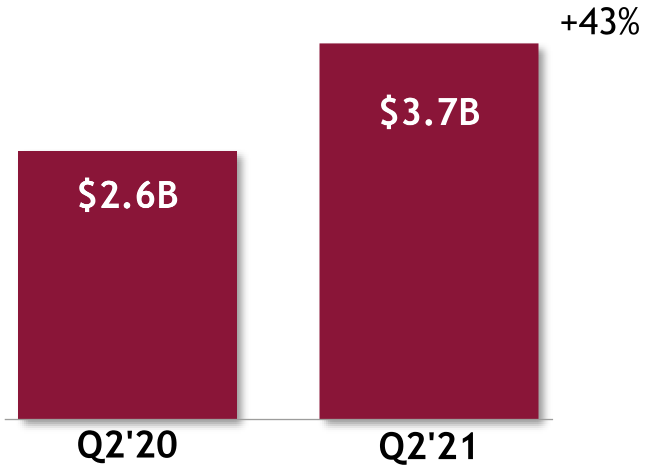
NON-GAAP MEASURES

The Company uses certain non-GAAP measures in discussing the Company's performance. The reconciliation of those measures to the most directly comparable GAAP measures is detailed in ITW's press release for the second quarter of 2021, which is available at www.itw.com, together with this presentation. The estimated guidance of Free Cash Flow conversion rate is based on assumptions that are difficult to predict, and a reconciliation of the estimated Free Cash Flow to the most directly 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 and operating information.

Q2'21 FINANCIAL PERFORMANCE

	Q2'20	Q2'21	
GAAP EPS	$1.01	$2.45	+143%

REVENUE



OPERATING MARGIN	17.5%	24.3%	+680 bps
AFTER-TAX ROIC*	16.8%	30.8%	+1400 bps

COMMENTARY

- **Continued improvement in both the breadth and pace of recovery**
  - Organic growth of 37%
  - Segment level organic growth ranging from 17% to 84%
  - Order intake rates strong through the quarter
- **Executing well in the face of rapidly rising raw material costs and a challenging supply chain environment**
  - Incremental margin of 40%, 43% excl. price/cost impact
  - Enterprise initiatives contribution of +150 bps
  - Price/cost margin dilution impact of (120) bps, EPS impact ($0.01)
- **Free cash flow* of $477M, 72% of adjusted net income**
- **GAAP EPS includes a one-time tax benefit of $0.35**

STRONG EXECUTION AND PERFORMANCE IN A CHALLENGING ENVIRONMENT

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* See ITW's second quarter 2021 press release for the reconciliation from GAAP to non-GAAP measures.

PRICE/COST UPDATE

- Full year raw material cost inflation currently projects to ~7% which is ~3x our assumption going into the year and 2x the rate of inflation we experienced in the ’18 inflationary/tariff cycle.
- Our pace of price recovery is well ahead of the last cycle.
- All known cost and price increases are included in our updated guidance. For FY’21, we expect price/cost to be EPS neutral or better, and dilutive to margin percentage by ~100 bps.
- Organic growth acceleration and the continued execution on our enterprise initiatives (100+ bps for FY’21) will continue to drive margin expansion in 2021 and beyond.

RAW MATERIAL COST INFLATION:
EXPECT EPS NEUTRAL OR BETTER FOR FY’21

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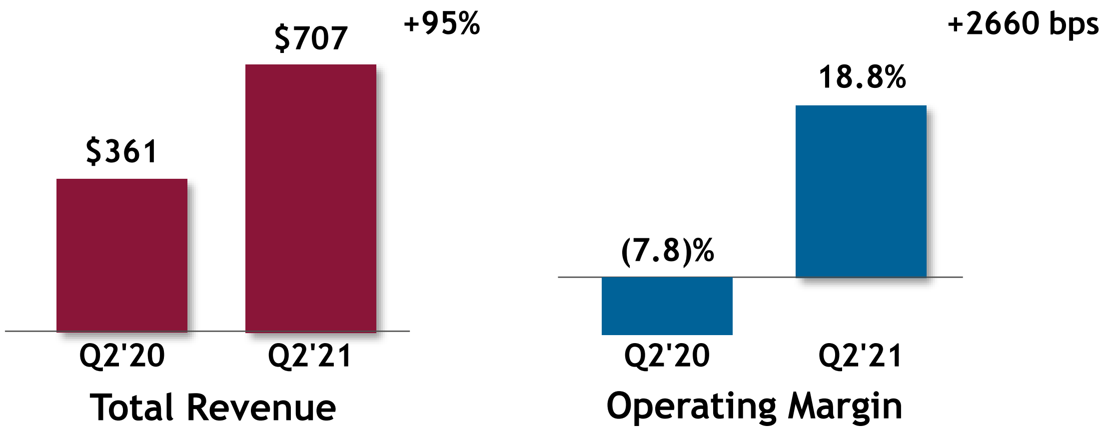
Q2'21 SEGMENT PERFORMANCE

STRONG SEQUENTIAL REVENUE GROWTH

	Q1'21	Q2'21	Seq'l %
Automotive OEM	$783	$707	(10)%
Food Equipment	$451	$514	+14%
T&M / Electronics	$552	$606	+10%
Welding	$401	$402	Flat
Polymers & Fluids	$435	$466	+7%
Construction Products	$469	$518	+10%
Specialty Products	$457	$471	+3%
Total ITW	$3.5B	$3.7B	4%
Total ITW excl Auto	$2.8B	$3.0B	8%

AUTOMOTIVE OEM

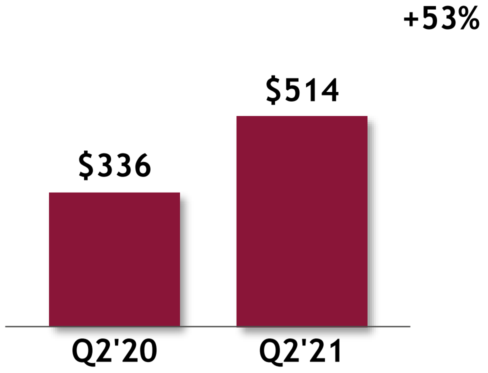


- Organic revenue 84%
- North America 102%
- Europe 106%
- China 20%

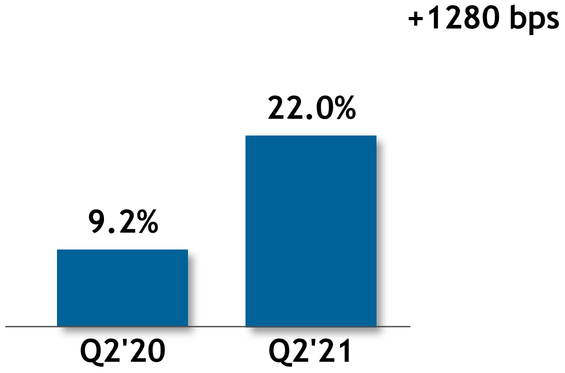
ITW Global Automotive

Q2'21 SEGMENT PERFORMANCE

FOOD EQUIPMENT



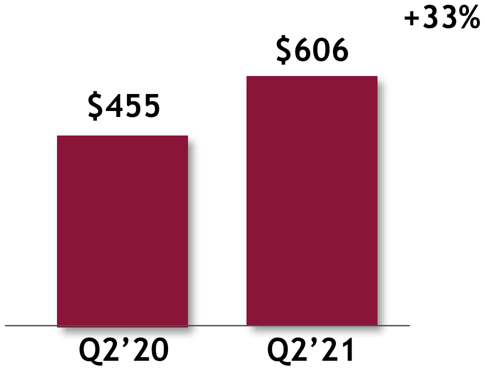
Total Revenue



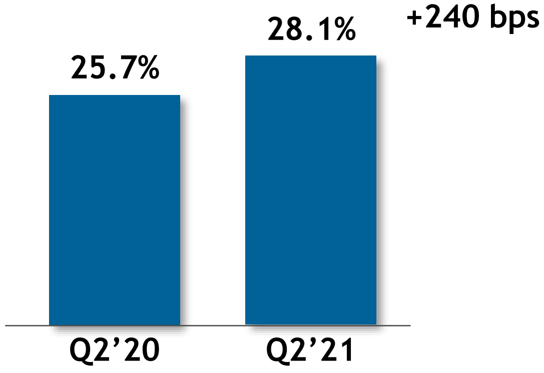
Operating Margin

- Organic revenue 46%
- Equipment 52%, Service 35%
- North America 39%
- International 58%

TEST & MEASUREMENT/ELECTRONICS



Total Revenue

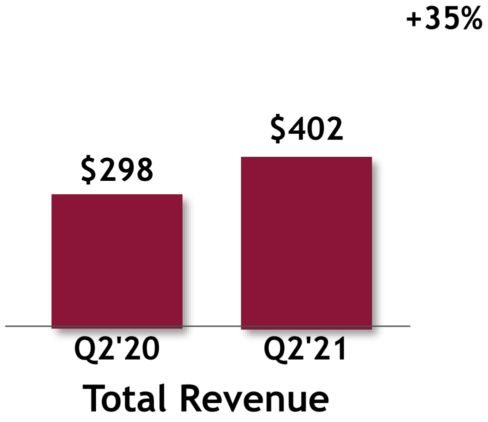


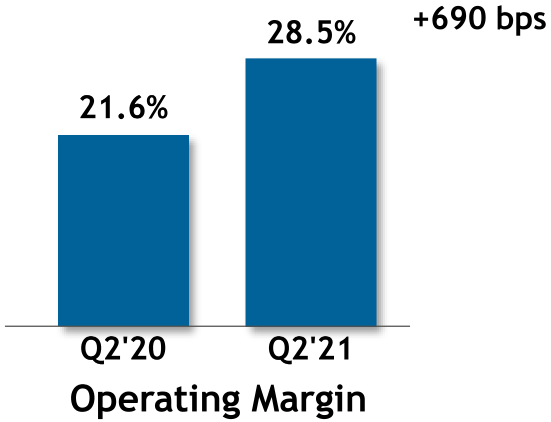
Operating Margin

- Organic revenue 29%
- Electronics 38%
- Test & Measurement 20%

Q2'21 SEGMENT PERFORMANCE

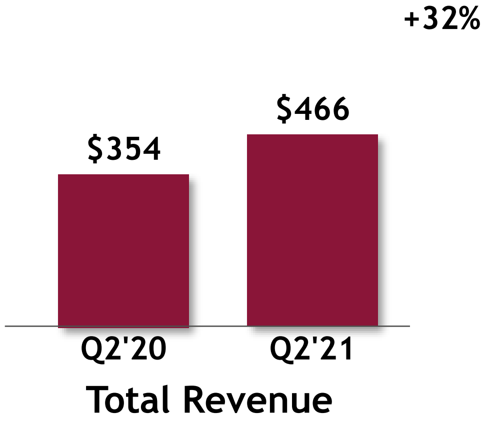
WELDING

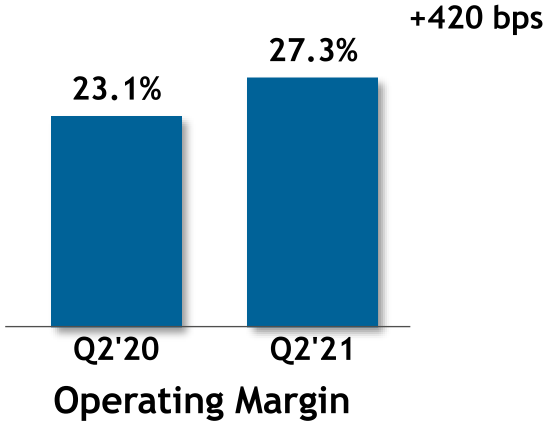




- Organic revenue 33%
- Equipment 38%, Consumables 25%
- North America 38%
- International 13%

POLYMERS & FLUIDS

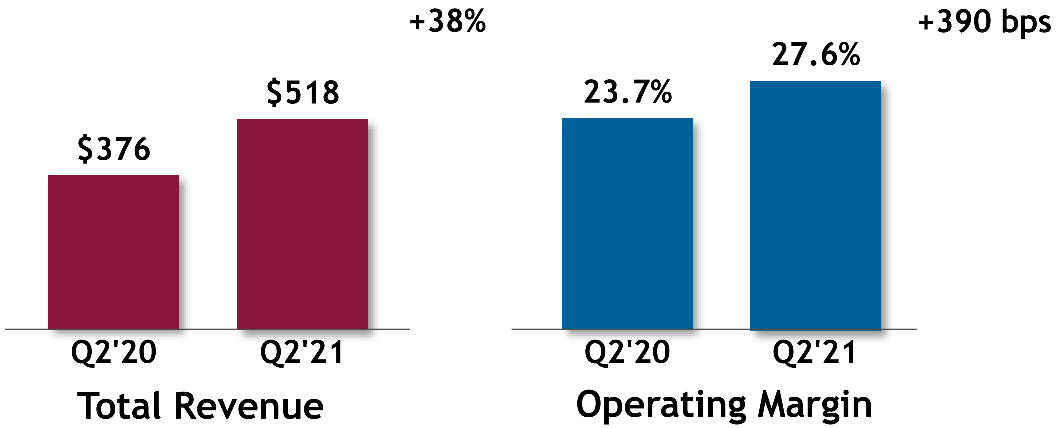




- Organic revenue 28%
- Automotive Aftermarket 33%
- Polymers 34%
- Fluids 8%

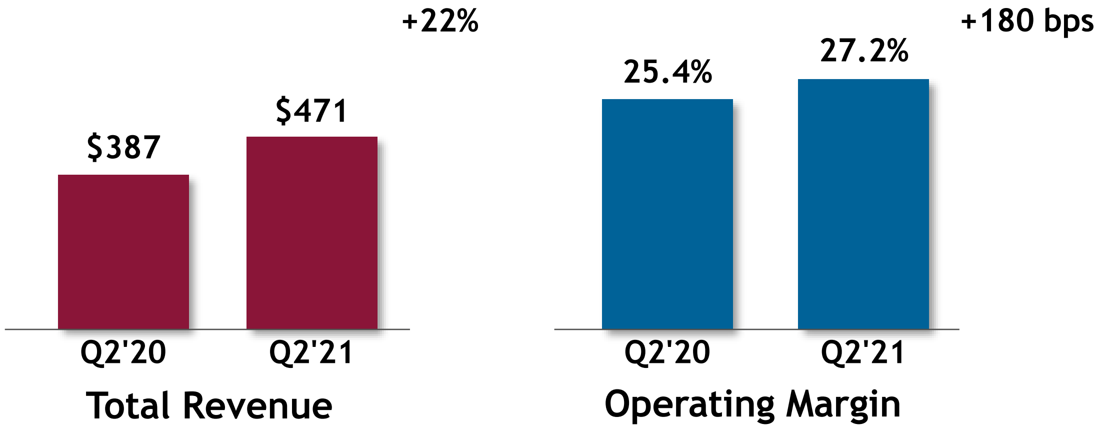
Q2'21 SEGMENT PERFORMANCE

CONSTRUCTION PRODUCTS



- Organic revenue 28%
- North America 20%
- Europe 61%
- Australia/New Zealand 13%

SPECIALTY PRODUCTS

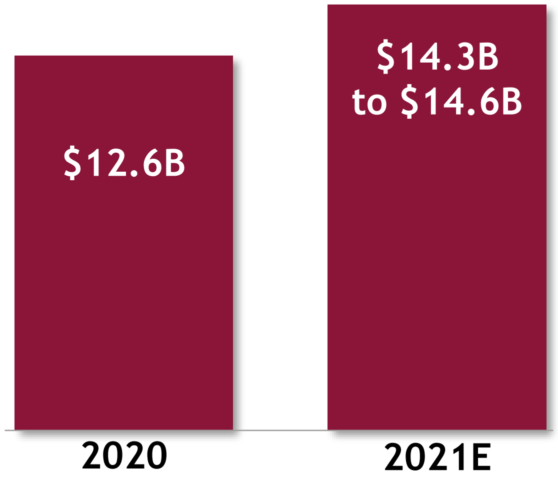


- Organic revenue 17%
- North America 15%
- International 22%

2021 ITW FINANCIAL GUIDANCE

Excludes previously announced acquisition of MTS Test & Simulation business

	2020	2021E	
GAAP EPS	$6.63	$8.55 to $8.95	+29-35%
REVENUE			+14-16%



OPERATING MARGIN	22.9%	24.5% to 25.5%	+210 bps
FREE CASH FLOW* CONVERSION RATE	122%	~100%	

COMMENTARY

- **Order intake rates in all segments & geographies remain strong. Raising organic growth guidance to 11% to 13%.**
  - Foreign currency translation +3%
- **Well-positioned to continue to execute at a high level in a challenging raw material cost/supply chain environment**
  - Incremental margin of 36% to 41%
  - Enterprise initiatives contribution of more than 100 bps
  - Price/cost EPS neutral, margin dilutive ~(100) bps
- **Raising GAAP EPS guidance by 4%**
  - Incorporating a one-time tax benefit of $0.35
- **Share repurchases of ~$1 billion**
- **Expect MTS Test & Simulation to close late Q3/early Q4**

STRONG EXECUTION AND FINANCIAL PERFORMANCE IN A CHALLENGING ENVIRONMENT

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Q&A