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Moderator:

All right. As others are coming in, we're going to get started again. We are really excited to have ITW with us, Illinois, Tool Works. We've got Michael Larsen with us, who is the SVP and CFO. We appreciate ITW has been a mainstay of this conference for a long time now. Michael joined ITW in 2013. So Michael, as I come over here, I'm going to ask you the same question I ask you each year about enterprise strategy and why it keeps working, but also how you're evolving it over time. You've been doing in quotes the same thing over the last 10 years, but you continue to improve it and sometimes I get the question about you guys, as you approach 30% margins, how can you keep going from there? I know that's your target out a few years from now, but maybe talk about what improvements you've made, where you're going with enterprise strategy.

Michael Larsen:

Yeah, well thank you for having us. It's great to be here and thanks for putting up a great conference. So I'd say maybe to take a step back for a second, we've come a long way on our journey here since we launched the enterprise strategy in late 2012. And it was really centered around a very simple idea and belief that we had a very powerful, but at the time under leveraged, business model inside of the company. And the idea was that we would leverage that business model to its full potential across all of ITW. And in doing so with this best in class business model, putting up best in class financial performance. And we've done just that. And so you've certainly seen significant improvement in terms of the operating margins going from 16 to 25 last year on our way to 26 this year, return on invested capital from 14 to 30 plus.

And so the good news, as we said at investor day last year in May was that we believe that there's significant opportunity for further improvement. And part of it is, I think deeply embedded in our culture is this continuous improvement, never satisfied mindset that we can always do better. And so while certainly the list of to do's is a little bit shorter on a go forward basis, there is lots of room for further improvement from here as evidenced by the performance goals that we laid out at the conference by 2030. And we'll talk about maybe the role of organic growth.

I'll just make one more comment. I think the other thing we've demonstrated clearly that I think we can say we have the most powerful, most competitive business model in the industrial space. And I think if you, like us, believe that the world's only going to become more challenging and more uncertain, this business model going forward will be just as powerful over the next phase of our enterprise strategy through 2030 as it has been over the last 10 years and really puts us in a great position to continue to deliver long-term differentiated performance for the company and for our shareholders.

Moderator:

Thanks, Michael. So I just want to ask you your opinion on ITW's recent CEO change. So Scott was CEO, as you know, for a while. Chris has obviously been CEO for just a couple months, but he's been also around the company for a long time. And so I would assume that you'll tell me that the strategy really doesn't change, but is Chris's priorities, are they any different than Scott's? And maybe talk about how he spent his first couple months as CEO.

Michael Larsen:

Well, I think strategies, all good strategies continue to evolve and I think last year at investor day we try to lay out what the priorities are going to be. The fundamental concept in terms of leveraging this business model to its full potential to deliver solid organic growth with best-in-class margins and returns, that's still the fundamental premise here. I think the way we're going to get there and with Chris taking over, I think it's an increased focus on organic growth fueled by customer-backed innovation, which has been a big driver of the growth of the company for decades. I'd say the more significant change here has been an increased focus on becoming as capable around organic growth as we are operationally and from a financial standpoint. And really with the biggest driver being customer-backed innovation, which is our approach to innovation really from the customer-backed, not from the R&D center out.

These are focused on pain points that our customers, problems that our customers are dealing with. And we get to our customers in every one of our 84 divisions, belly button to belly button, like how can we help you solve a problem? And once we start working on something, we know that we're going to have a purchase order, we know what it's going to say, we know it's going to be worth it for us to invest our time, energy and effort. And so every year we put up 1,700 new patents as a result of that process. And so it's an increased focus on that. Similar to what we did around our operating system, 80/20 Front-to-Back, if you go back 10 years, it was really about reinvigorating and collecting the best ideas across the company around 80/20 Front-to-Back and putting it into a framework that we then shared with all of our divisions and the approach. And that turned out to be an incredibly successful way of driving things inside the company.

And we're doing exactly the same thing with customer-backed innovation. And you asked, "What's Chris doing differently?" I think that's where the focus is is really around organic growth and the customer-backed innovation side, and he's deeply involved in making sure that we make progress and that we are as good as we can be in every one of our [inaudible 00:06:42] divisions from a customer-backed innovation standpoint.

Moderator:

Michael, maybe you can elaborate a little bit on that because where the skeptics are in ITW, they believe in margin expansion, cash flow. You've been very good at these things. One area, as you've said, is organic growth. You had a couple strong years there, but over the last couple years you've slowed down again a little bit. So maybe talk about what you're going to do to really move customer-backed innovation because you've always been known for it.

Michael Larsen:

Well, I'd just say we grew 12% organically two years in a row in '21 and '22. And then in '23, we put up 2% organic growth. So if you look at over the long-term, that's pretty good performance. If you look at our guidance this year, five of seven segments are growing at 4%, which is exactly what we need them to do. We don't need to be the fastest organic grower. And you could make an argument we never will be the fastest grower because we are so diversified and there's really not one big trend that's driving outsized performance in any given year.

We tend to compete in markets that maybe give us growth of 1% to 2% over the long-term, including price. We believe we can gain share of a point or two every year based on our differentiating performance for customers, customer-facing metrics including delivery time, quality, service. And then the third most impactful driver is the customer-backed innovation piece, which pre-COVID 2019 generated about a percentage point of organic growth contribution, last year, 2%. And we think that we can take that to 3% over this next phase of our enterprise strategy. So you add that up, those three elements, you very quickly get to a range of four to seven, and we think every one of our segments is in a position to perform in that range. Now, they're likely not all going to hit at the same time. They're like your children, you love your children, but they all have their moments.

We've got five segments that are doing everything we need to do. We've got some market challenges on the construction side with the housing sector and some work strategic work to do in specialty products, but that's the formula. We can get to 4% organic with our incremental margins of 35 to 40. Now operating income grows seven to eight. Through the allocating surplus capital to a combination of share repurchases and or acquisitions, now EPS grows 9 to 10, and then you get an attractive dividend yield on top of that in that two and a half percent range, a dividend that, by the way, grows in line with earnings over time. So now you're at 11% to 13% TSR. Half of that, by the way, what I just described, came from highly focused disciplined allocation, the buyback program, which we can count on and the dividend. So that is a pretty, in our view, low risk, high probability equation. We've actually done better than that historically, but that's the basic, that's the value proposition, 11 to 13 TSR, high probability, low risk, and over the long-term is what we're trying to deliver here.

Moderator:

Michael, how do you go about, if you're focused a little bit more on customer-backed innovation, you're ratcheting up to three, how do you go about making sure that margins don't get a little less attention, for example?

Michael Larsen:

Well, I think it's a great question and one that we are very focused on. Obviously, priority number one inside the company is deliver above market organic growth on a consistent basis. Number two is sustain the foundational strengths

Michael Larsen:

Strengths that we've built up over the last 10 years, which includes excellence in the practice of the business model everywhere in the company, every day. And we absolutely cannot regress on that. The worst thing that could happen is we deliver the growth, but margins start... It's just not... And I think in our culture, our people can do more than one thing at a time. And I think we've made so much progress in terms of being excellent at business model practice across the company as evidenced by our margins, but we have to maintain that momentum for sure. We cannot have any regression on that.

Moderator:

And then you talked both coming into '23 and now into '24 about investments, you're making this important organic growth, including headcounts. So maybe give us a little more color around the talent you're bringing in, payback on investments. I think you talked about 100 base points of headwind on your margin in '24 from investments. If I remember correctly, that's down from the biggest headwind, but it's still higher than-

Michael Larsen:

Well yeah, I think we've always invested in these businesses. I think this is nothing new, whether it be in new products or in CapEx for capacity expansion. What has remained fairly constant is that, and it's not because we cap these projects, but as a percentage of sales, given our business model, which is a very asset light business model, we end up at about 2% of sales for customer back innovation and about the same for CapEx. Not because we're holding back, but we're not trying in our divisions to do every single project we can think of. We use 80 20 to prioritize these lists and we go after the most impactful ones. And because we're not trying to do everything, it creates a level of focus and the outcome of that is great results versus trying to do everything. And so I think there's certainly some investments we're making in terms of our commercial resources, sales, strategic marketing, and also on the innovation side of things.

I think we are... The payback on those internal investments, to your question, our return on capital inside the company is 30% after tax. And it doesn't consume much more than about, last year, about $800 million in internal investments out of operating cash flow of about 4 billion. So we've got lots of room and it's not like anybody's holding back on these investments. Now obviously we have to prioritize and we have to make sure we invest in the right areas, but unfortunately, growth doesn't just happen by itself. You're going to have to align resources and allocate time, energy, and effort to make organic growth happen.

Speaker 1:

And I think, Michael, you've said that you're focusing actions to lower your headwinds from inflation. And what exactly are you doing there? And then you did call '24 more a normal year in terms of price versus cost. Talk about inflation. Are there still supply chain issues, Red Sea, anything like that bothering you?

Michael Larsen:

Well I think the word I'd use to describe supply chain and inflation is it's definitely normalizing. I think we went through two years of really significant challenges around supply chain, including availability of components. And I think our teams did an incredible job de-risking supply chain in order to take care of our customers. And part of that was to add inventory. Those inventory levels are coming back out again. But I think we'll continue to work on the inventory side of things. On the inflationary side of things, I'm not sure we're really doing anything significantly different. I think our strategy going back two years when we started to see this wave of raw material cost increases was to offset those cost increases with price on a dollar for dollar basis. And we did just that. And obviously when your margins are 25%, you're going to take a hit on margins, about 250 basis points over the two years, which we've recovered last year.

So we're kind of back to where we started except for automotive where these things take a little bit longer to get price. I think what we talked about on the earnings call just a few weeks ago was we're going into a more normal inflationary environment. Certainly it doesn't mean that costs are coming down necessarily, especially certain components with labor content and certain electronics are still... Prices are remaining high, but we're also pricing for a more normal environment. So we're back to our typical price cost and modestly accretive to EPS and margins in 2024.

Moderator:

Got it, and then the other point of focus you made at your investor day was that ITW was going to add, call it selective high quality acquisitions. They extend your growth potential and I'm sure you could do improved margins, but since that time in May, the companies continue to be relatively quiet regarding acquisitions. Does the company need to build back muscle to do bigger acquisitions or is it just you're focused on organic and margins? How do you think about that?

Michael Larsen:

I think it's not a question of muscle. I think we've demonstrated, we did a great acquisition with MTS just a few years ago. So let me just kind of frame it. I think our 80 in our speak, the most important thing from a growth standpoint is to get the organic growth rate going. But certainly acquisitions can play an important role in extending that long-term growth potential if they meet certain criteria. And when we say highly selective, that's really what we're talking about. So if we're trying to grow the whole company at 4%, we shouldn't acquire something that can't grow at four. That's pretty obvious I think. The second part of the equation, so that means you can't buy commodities. These have to be differentiated businesses where there is enough customers that are willing to pay for what you, what ITW can bring to the table in terms of product innovation, customer facing metrics.

The second part of the equation is the ability to improve margins through the implementation of the business model. And frankly, I don't think we've met an industrial business where we cannot improve margins, but if you are buying a fully margin business that's making 30%, it's a little bit harder to take that to 40. But if you're buying something with margins in that 10 to 15 range, and then you can tag on 10 percentage points of margin improvement, which by the way is what we're doing at our recent MTS acquisition, the team's doing a great job. And then the third piece is really tied to valuation. It has to be worth our time, energy, and effort. And so we want to be very disciplined with our shareholder's money, but we also want to be aware of the opportunity cost of putting 3, 4, 5 IDW people into an acquisition to implement the business model.

And those same resources could be working on organic growth at 35 to 40% incrementals in an existing business. So I think it's a very disciplined approach. We'd love to do acquisitions that check those boxes. Growth, business model, valuation. We did a fairly large one, MTS, two years ago, which at the time wasn't growing and margins were in the single digits. It's now growing and margins are in the mid-teens and we're only two years into this. And we have a lot of conviction that as we continue to implement the business model, that team will continue to make progress. So there's definitely, from our side, demand for those types of acquisitions, it's really more a matter of supply, finding businesses that are for sale and that have the raw material that we need to do our thing.

Moderator:

Michael, can you talk about your '24 organic growth guidance, the one to 3% at the enterprise level? You indicated that outlook is based on credit levels of demand, which is always your guidance, but you also know that the segment organic growth projections are based on bottoms up planning, including a combination of different factors. So maybe giving out the segments like that, do you have a higher level of precision now to guide like that or do you expect more... Talk about it.

Michael Larsen:

Well I think our organic growth guidance, our approach hasn't really changed. The only organic growth guidance that we're giving is at the enterprise level and at the enterprise level, that's based on, think of it as current levels of demand in our businesses. So what we saw in Q4 in terms of revenue per day, we extrapolate that adjusting for seasonality into 2024. And so there's no assumption embedded in our guidance that things are going to get better in the second half. There's no assumption that things are going to get worse. It's assuming things stay the way they are. And that's that one to 3% organic growth guidance that we gave just a few weeks ago.

Now in an attempt to try to be helpful, and I don't know how helpful it is based on all the questions you're asking me, but we do give you a range for our seven segments and it's really to help everybody in an effort to be transparent and allow you to build a model where you can play with different assumptions. We give a organic growth target for our seven segments that's based more on a bottom up kind of roll up. And frankly, that ties to the planning that we do in the segments, which is based on much deeper customer insight. Certainly run rate is a factor, but they also have much better visibility to inventory levels

Michael Larsen:

... levels in the channel, for example, and de-stocking impact. They know about market share gains that they have made last year, business that will be incremental next year. They know what new products they're going to launch and when they're going to launch, and there's some assumption around what that will contribute to their growth rate.

So I'd say it's a more granular bottom-up number that we use internally for planning purposes, and then we give you that on a slide to help you model. So, for example for automotive, there's an assumption that auto bills are going to be about flat. Typically, we grow through penetration gains two to three percentage points above that. And then we're seeing outsized growth in our China business, as you're aware of. And so that's how we get closer to that kind of 3% to 5% organic growth guidance for the automotive business.

Now, if you think that is too conservative, or knowing you too aggressive, you can dial that back in your model and you can get pretty close to... You could say, "Well, I think construction is going to come, housing is going to come back in the second half." You can make your own assumptions. We're just telling you, "Based on what we're seeing in these businesses, based on the bottom-up from the segments, that's what they're giving us."

And oh, by the way, I think five of those segments growing at about roughly 4% in what's still, let's say, a pretty challenging market, right? I mean, if you look at not just the economic indicators, but demand for CapEx and where interest rates are, I mean, it's still a pretty challenging environment, still some inventory in the channel. So I think overall we're really quite pleased with the plan for this year.

I might just add, you didn't ask about it, but I might just add every one of our seven segments is projecting that they will improve margins in 2024. And at the enterprise level we are guiding to improve margins by 100 basis points again in 2024, which would take it to 26% of the midpoint. Well on our way to our 30% target by 2030. 30 by '30 that's-

Moderator:

30 by '30. I'll ask you a related margin question, just one post-mortem on Q4 '23. You had an inventory rebalance, I think you always have them, but this one was kind of a little bit bigger. So maybe talk about what happened.

Michael Larsen:

Yeah. So what Andy is talking about is our typical margin improvement is 100 basis points a quarter. And actually for the full year last year margins improved 130 basis points.

I think in the fourth quarter we had two kind of unusual items. One was we did a little bit more restructuring in Q4 this year than we did last year. And then inventory revaluations at the end of the year last year were favorable, and this year they were unfavorable and that created some headwind on the margin rate.

But if you adjust for that, we're kind of back where we would've been at our typical 150 basis points, which is kind of in line with historical. And this year we should be back to our normal 100 basis points of margin improvement.

Moderator:

To your point, Michael, you don't see an elevated volatility on the margin side? Because we are going through some channel destock, you guys are destocking [inaudible 00:25:28].

Michael Larsen:

No, I mean, I think the biggest driver is the enterprise initiatives, which are really tied to projects and activities coming out of our 80/20 front to back process, and then the efforts of our strategic sourcing team. And I think this is an environment where that's ripe from a sourcing standpoint, so lots of opportunities there.

And as we go through annual plan, at the end of last year and then true them up again in January, by now we've gone through all those projects and activities, and have confidence enough that we put them in the plan in terms of savings and margin improvement.

And I might add, they are independent of volume. So going into the year with 100 basis points of margin improvement kind of in your hip pocket, that's a great place to be. In what remains, I would say, a pretty uncertain, challenging, volatile environment where things can change pretty quickly.

Moderator:

Yeah, yeah. So I want to open up to the audience in a second, but just maybe two current market trends for a second, like you just reported. But at the same time, are you seeing any new signs that channel destocking is coming to an end? Or you did mention last quarter you saw a sequential pickup in revenue per day across ITW's portfolio, so any sort of nuance there?

Michael Larsen:

Well, I mean, I think, so two things. I think in the fourth quarter, revenues per day went up 2.5% from Q3 to Q4, when normally they go up 1.5%, for what it's worth.

And we did see the impact from destocking or the inventory reductions with our customers and channel partners, was still a headwind in the fourth quarter, about a percentage point. But that was down slightly from what we saw in Q3.

And so I think those are positive signs for sure. I mean, there's some signs that some of the headwinds we talked about are maybe beginning to fade a little bit. But again, we're a short cycle business, what we're guiding to is what we're seeing in the businesses today. And we're just going to... What I don't know and what nobody knows is, my crystal ball is not better than yours, how this is going to play out. Nobody really knows.

But I do know that just given our decentralized organization and how this entrepreneurial mindset, that our teams that are closest to these dynamics around customers and suppliers and competitors, their ability to read and react as a result of changes in the environment, I think is unparalleled. And I think that gives me a lot of confidence that ITW, we will perform in any environment. And so if things get better, certainly we'll benefit from that growth. If they become more challenging, I know that our teams will respond accordingly.

And we talk a lot about the segments, and we tend to lose sight of the fact that one of the real competitive advantages of ITW is this highly diversified, high quality portfolio. Everything, margins in the high 20s, low 30s. That gives us an ability to take a long-term view whether whatever storm comes at you, whether it's a global pandemic or a recession. This portfolio, our margins, our balance sheet gives us the ability to take a long-term view and stay invested when maybe others have to pull back.

And I think that we saw that play out during the pandemic and it worked out incredibly well for the company.

Moderator:

Any questions from the audience? Anybody want to ask a question? Yep.

Speaker 2:

Just on the outlook, sorry. The short-cycle pickup, we've heard this from a variety of companies. But we've also seen in the past two or three years a bunch of head fakes. Any color? Is there really an upturn happening here, or it's just a restock and then it stops? Any [inaudible 00:29:52]?

Michael Larsen:

I'm happy that others are talking about things getting better. I am not, just to be clear. And so I think, like I just said, it's trying to build a strategy around an economic forecast is an impossible task. And so I think, like I said, we don't know how things are going to play out.

I think there are certainly commentary to your point and signs including lower interest rates. And I think customer feedback, if you go to trade shows, which I know many of you do, certainly there's a lot of buzz, a lot of positive energy. Whether that's going to translate into orders and sales and EPS at the end of the day, I think that remains to be seen.

But the point I was trying to make is no matter how this plays out in the short-term, I know that ITW will perform better than most regardless of the environment that we're in.

Speaker 2:

Sorry, your comment about the sequential increase [inaudible 00:31:01] being slightly better than it historically would have been, that doesn't really give you any comfort?

Michael Larsen:

So I'm a CFO, not a CEO. Okay? So I think maybe my comments are a little more temperate than...

But I think certainly it's a positive sign. It doesn't really change anything, we're going to continue to invest, we're going to continue to take care of customers and execute the strategy with excellence. Whether revenues are up a point or two quarter to quarter doesn't really change anything for us.

So this is like we're all about performing over the long term. We're not trying to be the fastest grower, we're not trying to be number one on the TSR chart year to date. We're trying to be top quartile or better over five, 10 year timeframes. And that's what works for us given our portfolio, our business model, our strategy. That's the view that you should have when you look at ITW, I think.

Moderator:

Other questions?

Speaker 3:

Thanks. Just drilling into the segments a bit more. Just can you comment on the food equipment group? In terms of, one, the point you were just alluding to in terms of the inventory destock and how you saw that better in third to the fourth, what's the expectation as you look into this year?

And then just from a mixed perspective, I've historically thought of ITW as being a little bit more oriented towards the institutional channel. Which we look back over the past couple of years, it hasn't been where as much of the growth has come, it's been more the large chains. But your growth, certainly relative to a peer that reported this morning, has been stronger. So what would you attribute that to? Thank you.

Michael Larsen:

Well, first, thank you for pointing that out. So I think the food equipment

Michael Larsen:

Equipment business is an incredible business. I think certainly had its challenges through the pandemic. We're now basically back to pre-pandemic levels from an equipment side of things. If you don't know, about a third of what we do is service business, which is growing last year at double digits and this year in mid to high single digits at margins that are probably a little bit higher than the average of our food equipment business, which is about 28% right now. The guidance this year for food equipment that we gave is in that 3 to 5% range. Actually, I would maybe disagree a little bit with your comment around we're certainly more weighted towards the institutional side, but that has been a really strong driver of growth for ITW over the last three, four years for sure, and I think that will remain the case.

I think what we really love about the business is it is one of the best examples inside the company of what I talked about earlier when we talked about the enterprise strategy and that's our customer back innovation process. When we talk about going out and gathering the best ideas across the company, a lot of them are in food equipment because it's a industry that there's so much opportunity for innovation and solving problems for customers. Whether it be around sustainability or labor or wage inflation, there's a lot of room for developing products that solve our customers' problems.

That's how very quickly through a market that's maybe growing 1 to 2, you add 2 to 3% on top of that from new products and then share gains a point or two. I think if you look at our food equipment business performance relative to peers like maybe the one that you referenced, you can see how this all comes together really as a blueprint for what we're trying to do at the whole company level.

Then specific to answer your question around certainly inventory, I think looking back, what many companies will tell you is that customers bought way more than they needed in '22. I think especially in the second half of '23, they spent a lot of time working through that inventory. We believe that is largely behind us in food equipment. They're set up, I'd say really well for mid-single digit growth, margins in the high twenties, further margin improvement this year and have a lot of runway still ahead of them.

Moderator:

Another question.

Speaker 4:

Hi. Could you talk about the moving pieces for your welding outlook for yourself and the market?

Michael Larsen:

Yeah, so I think our welding is another great business for us. Margins 30% plus, has grown significantly coming out of the pandemic. I think last year as demand for CapEx slowed and certainly a lot of inventory in the channel, we saw the growth rate slow down a fair bit. I think as we look to this year, a market again that's growing maybe one to two with price and then a slew of new products. Again, this is an area where if you think about the pain points, the problems around lack of skilled welders, for example, where there's lots of room for innovation and new products.

The guidance, like I said, 3 to 5% for welding in kind of a normal environment. Then margins again in that 30% plus range with a strategy that's very much a quality over quantity of growth strategy, which may be a little bit different from other players in these industries. It's not that one's good and one's bad, it's just a different approach, but that's kind of the outlook for the welding business.

Moderator:

Michael, you mentioned specialty before. What do you think it takes to turn specialty around the overall segment? Obviously the margin's not really good.

Michael Larsen:

Yeah. I mean, specialty for those who don't know, I would think of it as a collection of great businesses with meaningful differentiation. You look at their margin profile kind of in the high twenties. I think the challenge has been more around delivering ITW caliber organic growth. This year the outlook for specialty being down one to three includes some heavy lift around the strategic repositioning of the portfolio.

I think there's going to be some pruning of product lines and maybe even customer relationships. We're going to have to redirect resources from lower growth to higher growth areas in order to again make specialty a meaningful contributor to the overall organic growth rate of the company. It'll probably be most of this year, maybe a little bit into next year as we work through this kind of strategic repositioning in the specialty product segment.

Moderator:

You mentioned construction also like housing. What's the outlook in construction here from what you see?

Michael Larsen:

Well, I think it's a great example of how we have outgrown the market. If you look at it over the last few years, housing is certainly challenged not just in the US but internationally. It's been quite difficult both in Europe as well as we have a fairly large and very good business in Australia and New Zealand. I think there's nothing, margins are in the high twenties, demonstrated that they can grow above market. It's just the market's down and there's only so much you can do. I do think the fact that in our bottom up planning process that the team is committed to delivering margin improvement even in a down market is pretty impressive.

Moderator:

I've got a question that I've asked you last year, and I'm asking every company. What are the top two or three innovations and structural changes affecting your company over the next five years? Are there any emerging industry trends that are perhaps being overlooked in the current discourse?

Michael Larsen:

Well, I think you always ask me this question and I always disappoint you with my answer.

Moderator:

Never disappointed, Michael.

Michael Larsen:

Why do anything different this year? I mean, I think, like we said earlier, trying to predict the future and build a strategy around that is we believe an impossible task. What I can tell you is in our view, in an environment that's only going to be more uncertain and more challenging and more volatile, we have the benefit of this incredible diversified portfolio with 84 divisions that are all working, to sort of answer your question, around innovation in their respective areas and trends that customers are pointing them towards. There's literally hundreds if not thousands of projects that are geared towards capturing those trends and capitalizing on them.

I do think that what you get with these multi-industry companies is you get a portfolio that can weather the storm and that's not exposed to any one trend or any one risk or any one geography, and has a lot of cushion in terms of margins and this financial position that allows us to take the long view when things get tough. I think in the environment, the world that we live in, there's certainly a lot to be said for something like what we do at ITW.

Moderator:

I think that's a good note to end on. Thank you very much, Michael, for being here.

Michael Larsen:

Thank you.

Moderator:

Thank you.