# First Quarter 2024 Earnings Conference Call

April 30, 2024

# Forward-Looking Statements

## Safe Harbor Statement

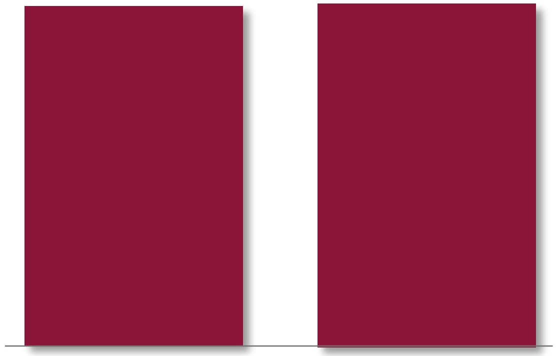
This presentation and related conference call contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may include, without limitation, statements regarding global supply chain challenges, expected impact of inflation including raw material inflation and rising interest rates, the impact of enterprise initiatives, future financial and operating performance, free cash flow and free cash flow to net income conversion rate, organic and total revenue, operating and incremental margin, price/cost impact, statements regarding diluted income per share, restructuring expenses and related benefits, expected dividend payments, 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, the impact of recent or potential acquisitions and/or divestitures, and the Company's 2024 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 2023 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 directly comparable GAAP measures is detailed in ITW's press release for the first quarter of 2024, which is available at www.itw.com, together with this presentation. The estimated guidance of free cash flow to net income conversion rate and after-tax return on average invested capital are based on assumptions that are difficult to predict, and estimated guidance for the most directly comparable GAAP measures and a reconciliation of these forward-looking estimates to their most directly comparable GAAP estimates have 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.

# Q1'24 Financial Performance

| | Q1'23 | Q1'24 | |
|---|---|---|---|
| GAAP EPS | $2.33 | $2.73 | +17% |
| Revenue | $4.0B | $4.0B | (1)% |
| Operating Margin | 24.2% | 28.4% | +420 bps |
| After-tax ROIC* | 29.4% | 30.1% | +70 bps |



## HIGHLIGHTS (ex-item)**

- **The near-term demand environment across the majority of our segments was challenging as expected**
  - Organic growth of (0.6)% in line with our expectations
  - Expect positive growth through the balance of the year based on current levels of demand, favorable comparisons
- **Continued strong margin and profitability performance**
  - Operating margin of 25.4%, an increase of +120 bps as enterprise initiatives contributed +140 bps
  - EPS of $2.44, an increase of 5%
- **Free cash flow* of $494M**
  - 68% of Net Income
- **Effective tax rate of 23.6%**

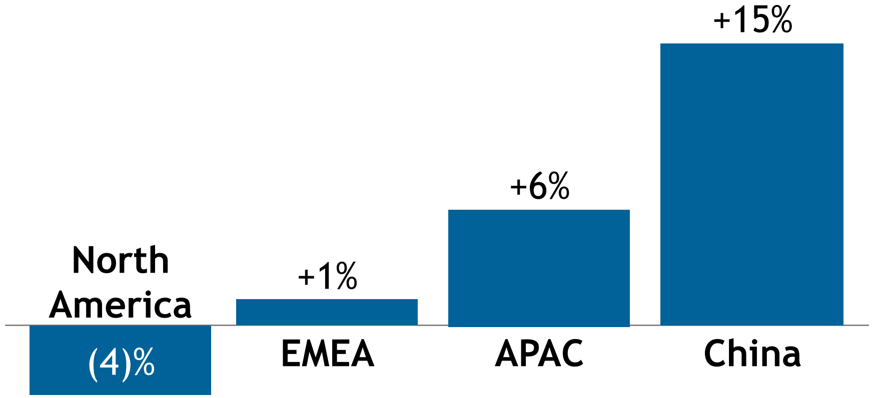
**A SOLID START TO THE YEAR IN A CHALLENGING ENVIRONMENT**

*See ITW's Q1'24 press release for the reconciliation from GAAP to non-GAAP measures.

**GAAP results include the favorable impact from a one-time LIFO inventory accounting item resulting in pre-tax income of $117M, operating margin improvement of 300 bps, and EPS of $0.29.

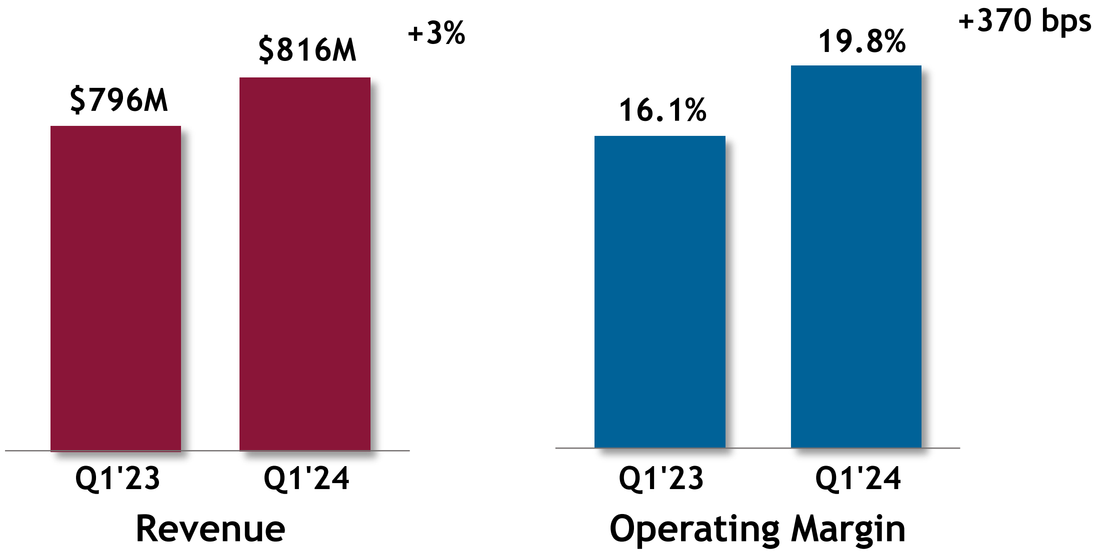
# Q1’24 Segment Performance

## ORGANIC GROWTH BY GEOGRAPHY




- **Near-term macro demand environment was challenging as expected**
  - China +7% ex-Automotive OEM

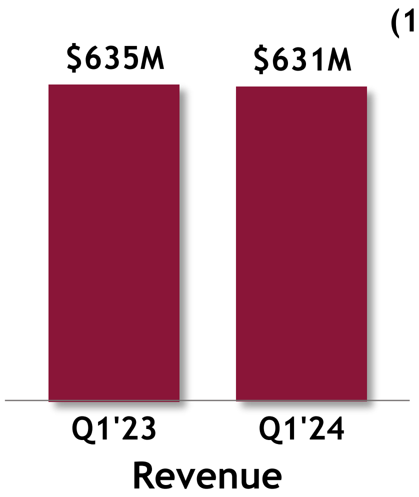
## AUTOMOTIVE OEM

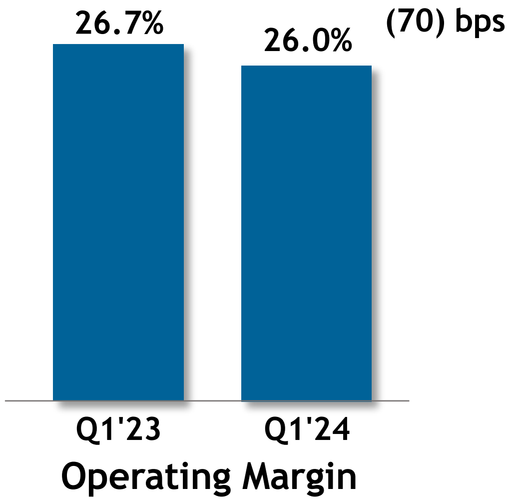



- Organic revenue 3%
- North America (6)%
- Europe 2%
- China 23%

# Q1’24 Segment Performance

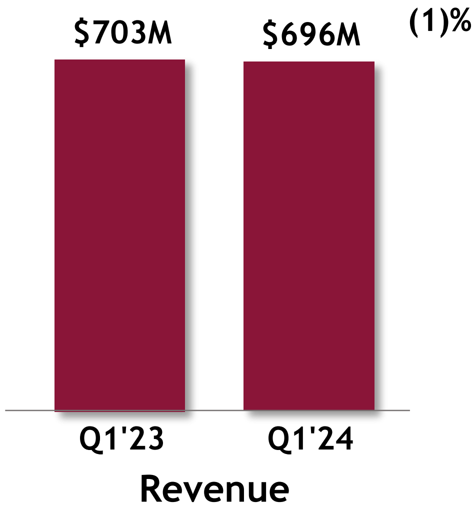
## FOOD EQUIPMENT

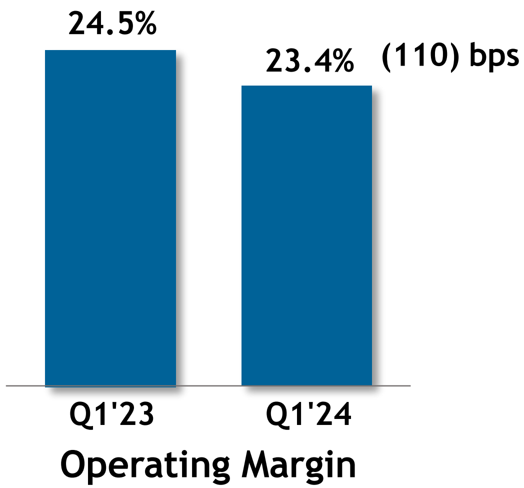



- Organic revenue (1)%
- Equipment (4)%, Service 3%
- North America (2)%
- International flat

## TEST & MEASUREMENT/ELECTRONICS

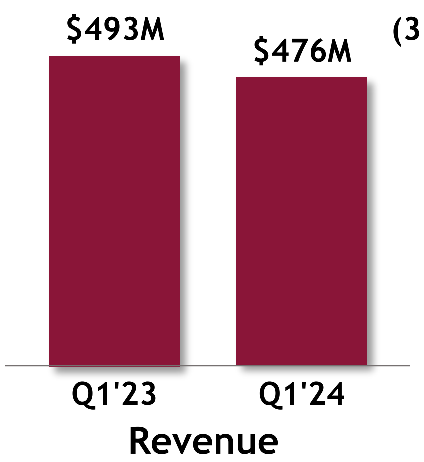


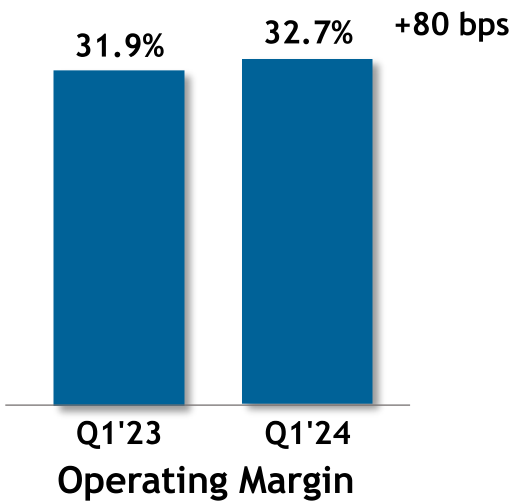




- Organic revenue (1)%
- Test & Measurement 2%
- Electronics (8)%

# Q1’24 Segment Performance

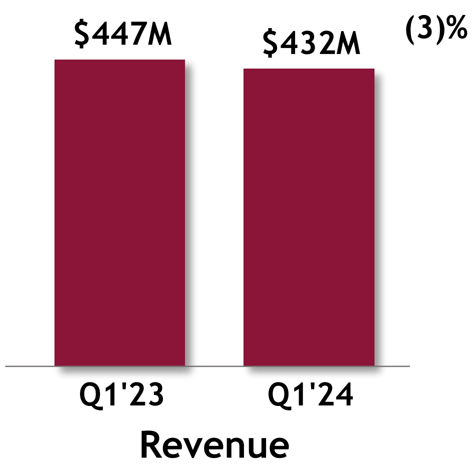
## WELDING

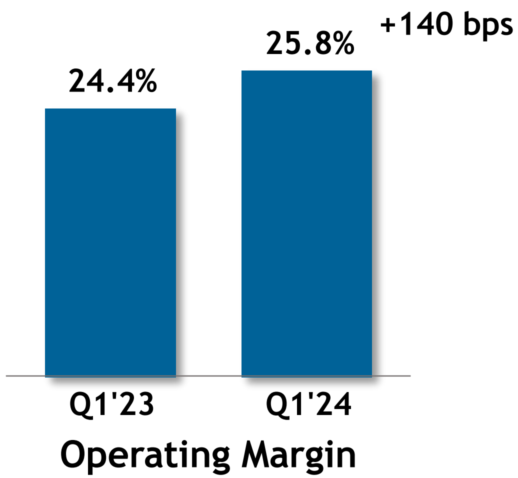



- Organic revenue (3)%
- Equipment (2)%, Consumables (6)%
- North America (3)%
- International (8)%

## POLYMERS & FLUIDS

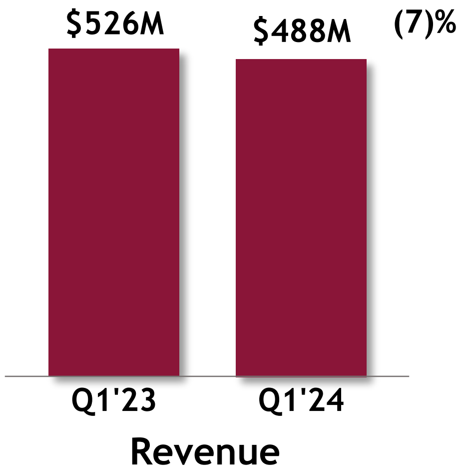


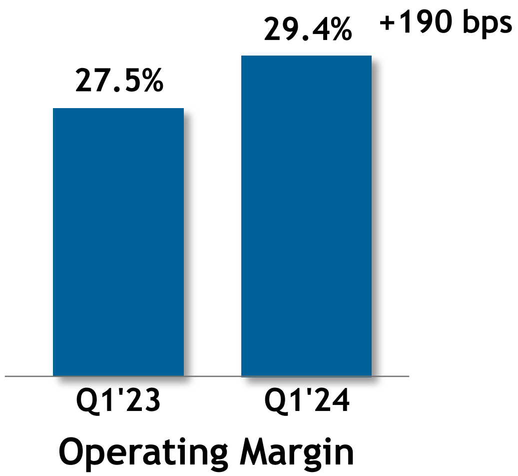




- Organic revenue (1)%
- Automotive Aftermarket (2)%
- Fluids flat
- Polymers flat

# Q1'24 Segment Performance

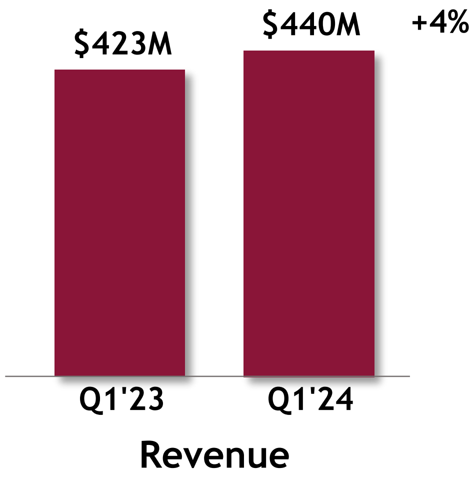
## CONSTRUCTION PRODUCTS

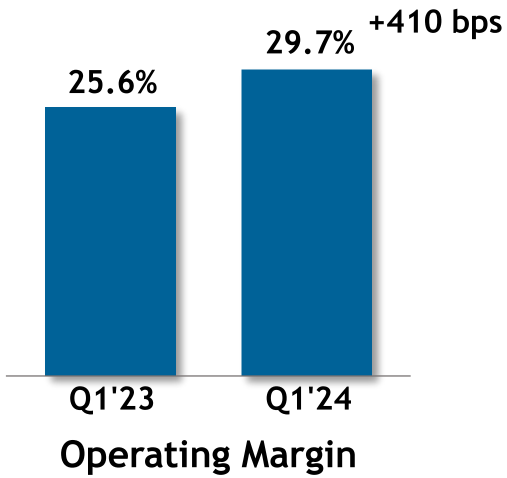



- Organic revenue (7)%
- North America (3)%
- Europe (11)%
- Australia/New Zealand (12)%

## SPECIALTY PRODUCTS



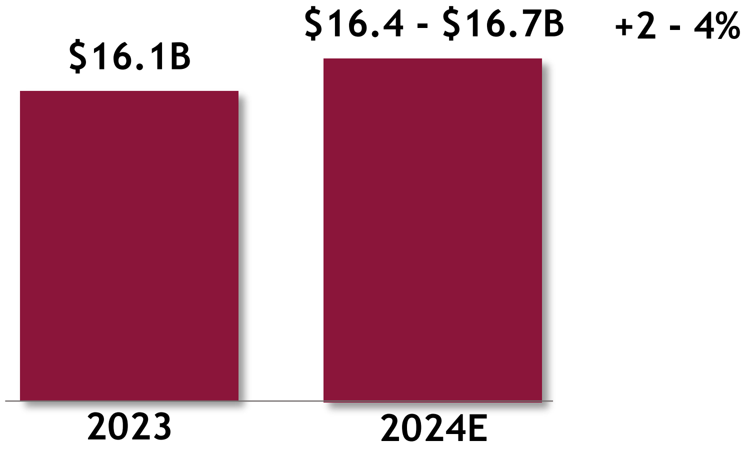




- Organic revenue 6%
- North America (1)%
- International 19%

# 2024 Financial Guidance

| | 2023 | 2024E | |
|---|---|---|---|
| GAAP EPS | $9.74 | $10.30 - $10.70 | +6 - 10% |

Revenue




| | 2023 | 2024E |
|---|---|---|
| Operating Margin | 25.1% | 26 - 27% |
| After-tax ROIC* | 30.4% | 30%+ |

## HIGHLIGHTS

- Expect that current levels of demand across our end markets and favorable comparisons year-over-year translate to positive organic growth through the balance of the year
  - On track to deliver organic growth of 1 to 3%
- Continued strong margin and profitability performance
  - Operating margin expansion of 140 bps at mid-point as enterprise initiatives contribute more than 100 bps
- Raising GAAP EPS guidance by $0.30 and margins by 50 bps
  - Operational guidance unchanged
- Free cash flow conversion of 100%+ of net income
- Share repurchases of ~$1.5B

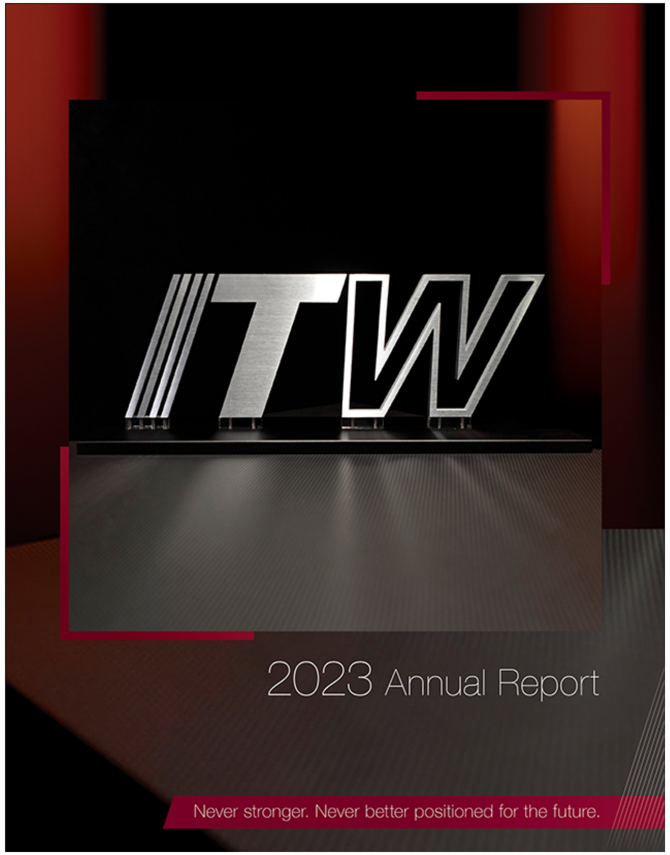
**ITW IS ON TRACK AND WELL POSITIONED TO DELIVER ON OUR 2024 GUIDANCE**

*See ITW's Q1'24 press release for the reconciliation from GAAP to non-GAAP measures.

# Q&A

# Recently Released Reports

## 2023 ANNUAL REPORT




*Link to [Annual Report]*

## 2023 SUSTAINABILITY REPORT


*Link to [Sustainability Report]*



Never stronger. Never better positioned for the future.