

ITW Reports First Quarter 2025 Results

- Revenue of \$3.8 billion, down 3.4%; organic growth down 1.6%, flat on an equal days' basis
- Operating margin of 24.8%; Enterprise Initiatives contribute 120 bps
- GAAP EPS of \$2.38, ahead of plan expectations
- Maintaining full year 2025 guidance; ongoing pricing actions offset tariff cost impacts

GLENVIEW, IL., April 30, 2025 - Illinois Tool Works Inc. (NYSE: ITW) today reported its first quarter 2025 results and maintained guidance for full year 2025.

"ITW commenced 2025 with solid execution, achieving financial results ahead of plan expectations as we continued to outperform underlying end markets," said Christopher A. O'Herlihy, President and Chief Executive Officer. "Acknowledging the uncertain external environment, we are maintaining our full year 2025 guidance as we expect our ongoing pricing actions to offset tariff cost impacts. ITW is built to outperform in today's volatile environment. Our largely "produce where we sell" manufacturing strategy, decentralized operating culture which enables rapid "read and react" response, and diversified high-quality business portfolio all provide resilience during times of volatility and uncertainty. Our strong financial profile allows us to maintain our strategic investments and focus on driving continued progress on our long-term strategy to make above-market organic growth, fueled by Customer-back Innovation, into a core ITW strength," O'Herlihy concluded.

First Quarter 2025 Results

First quarter revenue of \$3.8 billion declined by 3.4 percent as organic revenue declined by 1.6 percent. On an equal days' basis, organic revenue was essentially flat. Foreign currency translation impact reduced revenue by 1.8 percent.

First quarter 2024 GAAP EPS of \$2.73 and operating margin of 28.4 percent included a one-time inventory accounting change which benefited EPS by \$0.29 and operating margin by 300 basis points. For comparison purposes, the following year-over-year references exclude this one-time item.

GAAP EPS for the first quarter of 2025 of \$2.38 declined two percent and included approximately \$0.10 of headwind from higher restructuring expenses and unfavorable foreign currency translation impact. Operating margin of 24.8 percent declined 60 basis points as enterprise initiatives contributed 120 basis points, offset by higher restructuring expenses related to 80/20 Front-to-Back projects and other one-time items. Operating cash flow was \$592 million, and free cash flow was \$496 million with a conversion of 71 percent to net income. During the quarter, the company repurchased \$375 million of its own shares. The effective tax rate was 21.7



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percent which included a discrete tax benefit of \$21 million related to the reversal of valuation allowances on net operating loss carryforwards.

2025 Guidance

ITW is maintaining its full year 2025 GAAP EPS guidance range of \$10.15 to \$10.55 per share which includes on-going pricing actions that are projected to offset tariff cost impacts. The Company is projecting revenue and organic growth of zero to two percent based on current levels of demand adjusted for incremental pricing associated with tariffs and current foreign exchange rates. Operating margin is projected to be in the range of 26.5 to 27.5 percent, with enterprise initiatives contributing 100 basis points or more. Free cash flow is expected to exceed 100 percent of net income, and the company plans to repurchase approximately \$1.5 billion of its own shares. The projected effective tax rate is approximately 24 percent.

Non-GAAP Measures

This earnings release contains certain non-GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measures is included in the attached supplemental reconciliation schedule. The estimated guidance of free cash flow to net income conversion rate is based on assumptions that are difficult to predict, and estimated guidance for the most directly comparable GAAP measure and a reconciliation of this forward-looking estimate to its most directly comparable GAAP estimate have been omitted due to the unreasonable efforts required in connection with such a reconciliation and the lack of reliable forward-looking cash flow information. For the same reasons, the company is unable to address the potential significance of the unavailable information, which could be material to future results.

Forward-looking Statements

This earnings release contains 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 potential impact of tariffs, the Company's projected pricing actions, 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, expected dividend payments, after-tax return on invested capital, effective tax rates, exchange rates, 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 2025 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 2024 and subsequent reports filed with the SEC.

About Illinois Tool Works

ITW (NYSE: ITW) is a Fortune 300 global multi-industrial manufacturing leader with revenue of \$15.9 billion in 2024. The company's seven industry-leading segments leverage the unique ITW Business Model to drive solid growth with best-in-class margins and returns in markets where highly innovative, customer-focused solutions are required. ITW's approximately 44,000 dedicated colleagues around the world thrive in the company's decentralized and entrepreneurial culture. www.itw.com

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
STATEMENT OF INCOME (UNAUDITED)

| In millions except per share amounts | Three Months Ended March 31, | |
|--|---------------------------------|----------|
| | 2025 | 2024 |
| Operating Revenue | \$ 3,839 | \$ 3,973 |
| Cost of revenue | 2,161 | 2,145 |
| Selling, administrative, and research and development expenses | 706 | 676 |
| Amortization and impairment of intangible assets | 21 | 25 |
| Operating Income | 951 | 1,127 |
| Interest expense | (68) | (71) |
| Other income (expense) | 12 | 16 |
| Income Before Taxes | 895 | 1,072 |
| Income Taxes | 195 | 253 |
| Net Income | \$ 700 | \$ 819 |
| | | |
| Net Income Per Share: | | |
| Basic | \$ 2.39 | \$ 2.74 |
| Diluted | \$ 2.38 | \$ 2.73 |
| | | |
| Cash Dividends Per Share: | | |
| Paid | \$ 1.50 | \$ 1.40 |
| Declared | \$ 1.50 | \$ 1.40 |
| | | |
| Shares of Common Stock Outstanding During the Period: | | |
| Average | 293.6 | 298.9 |
| Average assuming dilution | 294.5 | 300.0 |

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION (UNAUDITED)

| In millions | <u>March 31, 2025</u> | <u>December 31, 2024</u> |
|---|-----------------------|--------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and equivalents | \$ 873 | \$ 948 |
| Trade receivables | 3,153 | 2,991 |
| Inventories | 1,663 | 1,605 |
| Prepaid expenses and other current assets | 348 | 312 |
| Total current assets | <u>6,037</u> | <u>5,856</u> |
| Net plant and equipment | 2,085 | 2,036 |
| Goodwill | 4,903 | 4,839 |
| Intangible assets | 572 | 592 |
| Deferred income taxes | 440 | 369 |
| Other assets | 1,431 | 1,375 |
| | <u>\$ 15,468</u> | <u>\$ 15,067</u> |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Short-term debt | \$ 981 | \$ 1,555 |
| Accounts payable | 594 | 519 |
| Accrued expenses | 1,477 | 1,576 |
| Cash dividends payable | 439 | 441 |
| Income taxes payable | 289 | 217 |
| Total current liabilities | <u>3,780</u> | <u>4,308</u> |
| Noncurrent Liabilities: | | |
| Long-term debt | 7,282 | 6,308 |
| Deferred income taxes | 127 | 119 |
| Other liabilities | 1,037 | 1,015 |
| Total noncurrent liabilities | <u>8,446</u> | <u>7,442</u> |
| Stockholders' Equity: | | |
| Common stock | 6 | 6 |
| Additional paid-in-capital | 1,705 | 1,669 |
| Retained earnings | 29,154 | 28,893 |
| Common stock held in treasury | (25,746) | (25,375) |
| Accumulated other comprehensive income (loss) | (1,878) | (1,877) |
| Noncontrolling interest | 1 | 1 |
| Total stockholders' equity | <u>3,242</u> | <u>3,317</u> |
| | <u>\$ 15,468</u> | <u>\$ 15,067</u> |

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
SEGMENT DATA (UNAUDITED)

| Three Months Ended March 31, 2025 | | | | |
|--|--------------------------|-----------------------------|-----------------------------|--|
| Dollars in millions | Total Revenue | Operating Income | Operating Margin | |
| Automotive OEM | \$ 786 | \$ 151 | 19.3 % | |
| Food Equipment | 627 | 166 | 26.5 % | |
| Test & Measurement and Electronics | 652 | 139 | 21.4 % | |
| Welding | 472 | 153 | 32.5 % | |
| Polymers & Fluids | 429 | 114 | 26.5 % | |
| Construction Products | 443 | 130 | 29.2 % | |
| Specialty Products | 435 | 135 | 30.9 % | |
| Intersegment | (5) | — | — % | |
| Total Segments | 3,839 | 988 | 25.7 % | |
| Unallocated | — | (37) | — % | |
| Total Company | \$ 3,839 | \$ 951 | 24.8 % | |

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
SEGMENT DATA (UNAUDITED)

| Q1 2025 vs. Q1 2024 Favorable/(Unfavorable) | | | | | | | | |
|--|---------------------------|---------------------------|---|----------------|----------------------------------|----------------------------------|-------------------------------|------------------|
| Operating Revenue | Automotive OEM | Food Equipment | Test & Measurement and Electronics | Welding | Polymers & Fluids | Construction Products | Specialty Products | Total ITW |
| Organic | (1.2) % | 1.2 % | (5.4) % | 0.1 % | 1.7 % | (7.4) % | 0.9 % | (1.6) % |
| Acquisitions/ Divestitures | — % | — % | 0.1 % | — % | — % | — % | — % | — % |
| Translation | (2.5) % | (1.9) % | (1.0) % | (1.0) % | (2.5) % | (1.8) % | (1.9) % | (1.8) % |
| Operating Revenue | (3.7)% | (0.7)% | (6.3)% | (0.9)% | (0.8)% | (9.2)% | (1.0)% | (3.4)% |

| Q1 2025 vs. Q1 2024 Favorable/(Unfavorable) | | | | | | | | |
|---|---------------------------|---------------------------|---|-----------------|----------------------------------|----------------------------------|-------------------------------|------------------|
| Change in Operating Margin | Automotive OEM | Food Equipment | Test & Measurement and Electronics | Welding | Polymers & Fluids | Construction Products | Specialty Products | Total ITW |
| Operating Leverage | (30) bps | 20 bps | (150) bps | — | 30 bps | (140) bps | 20 bps | (30) bps |
| Changes in Variable Margin & OH Costs | 60 bps | 20 bps | 40 bps | (50) bps | 50 bps | 120 bps | 140 bps | (290) bps |
| Total Organic | 30 bps | 40 bps | (110) bps | (50) bps | 80 bps | (20) bps | 160 bps | (320) bps |
| Acquisitions/ Divestitures | — | — | (30) bps | — | — | — | — | (10) bps |
| Restructuring/Other | (80) bps | 10 bps | (60) bps | 30 bps | (10) bps | — | (40) bps | (30) bps |
| Total Operating Margin Change | (50) bps | 50 bps | (200) bps | (20) bps | 70 bps | (20) bps | 120 bps | (360) bps |
| Total Operating Margin % * | 19.3% | 26.5% | 21.4% | 32.5% | 26.5% | 29.2% | 30.9% | 24.8% |
| <i>* Includes unfavorable operating margin impact of amortization expense from acquisition-related intangible assets</i> | <i>20 bps</i> | <i>30 bps</i> | <i>150 bps</i> | <i>10 bps</i> | <i>150 bps</i> | <i>10 bps</i> | <i>20 bps</i> | <i>60 bps **</i> |
| <i>** Amortization expense from acquisition-related intangible assets had an unfavorable impact of (\$0.05) on GAAP earnings per share for the first quarter of 2025.</i> | | | | | | | | |

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES
GAAP to NON-GAAP RECONCILIATIONS (UNAUDITED)

AFTER-TAX RETURN ON AVERAGE INVESTED CAPITAL (UNAUDITED)

| Dollars in millions | Three Months Ended | |
|---|--------------------|-----------|
| | March 31, | |
| | 2025 | 2024 |
| Numerator: | | |
| Net Income | \$ 700 | \$ 819 |
| Discrete tax benefit related to the first quarter 2025 | (21) | — |
| Cumulative effect of change in inventory accounting method, net of tax ⁽¹⁾ | — | (88) |
| Interest expense, net of tax ⁽²⁾ | 52 | 54 |
| Other (income) expense, net of tax ⁽²⁾ | (9) | (12) |
| Operating income after taxes | \$ 722 | \$ 773 |
| Denominator: | | |
| Invested capital: | | |
| Cash and equivalents | \$ 873 | \$ 959 |
| Trade receivables | 3,153 | 3,238 |
| Inventories | 1,663 | 1,825 |
| Net plant and equipment | 2,085 | 1,973 |
| Goodwill and intangible assets | 5,475 | 5,557 |
| Accounts payable and accrued expenses | (2,071) | (2,109) |
| Debt | (8,263) | (8,325) |
| Other, net | 327 | (97) |
| Total net assets (stockholders' equity) | 3,242 | 3,021 |
| Cash and equivalents | (873) | (959) |
| Debt | 8,263 | 8,325 |
| Total invested capital | \$ 10,632 | \$ 10,387 |
| Average invested capital ⁽³⁾ | \$ 10,432 | \$ 10,249 |
| Net income to average invested capital ⁽⁴⁾ | 26.9 % | 32.0 % |
| After-tax return on average invested capital ⁽⁴⁾ | 27.7 % | 30.1 % |

⁽¹⁾ Represents the cumulative effect of the change from the LIFO method of accounting to the FIFO method for certain U.S. businesses in the first quarter of 2024 (\$117 million pre-tax, or \$88 million after-tax).

⁽²⁾ Effective tax rate used for interest expense and other (income) expense for the three months ended March 31, 2025 and 2024 was 24.0% and 23.6%, respectively.

⁽³⁾ Average invested capital is calculated using the total invested capital balances at the start of the period and at the end of the periods presented.

⁽⁴⁾ Returns for the three months ended March 31, 2025 and 2024 were converted to an annual rate by multiplying the calculated return by 4.

A reconciliation of the tax rate for the three month period ended March 31, 2025, excluding the first quarter 2025 discrete tax benefit of \$21 million related to the reversal of a valuation allowance on net operating loss carryforwards, is as follows:

| Dollars in millions | Three Months Ended | |
|--|--------------------|---------------|
| | March 31, 2025 | |
| | Income Taxes | Tax Rate |
| As reported | \$ 195 | 21.7 % |
| Discrete tax benefit related to the first quarter 2025 | 21 | 2.3 % |
| As adjusted | <u>\$ 216</u> | <u>24.0 %</u> |

AFTER-TAX RETURN ON AVERAGE INVESTED CAPITAL (UNAUDITED)

| Dollars in millions | Twelve Months Ended | |
|--|---------------------|---------------|
| | December 31, 2024 | |
| Numerator: | | |
| Net income | \$ | 3,488 |
| Net discrete tax benefit related to the third quarter 2024 | | (121) |
| Interest expense, net of tax ⁽¹⁾ | | 215 |
| Other (income) expense, net of tax ⁽¹⁾ | | (336) |
| Operating income after taxes | <u>\$</u> | <u>3,246</u> |
| Denominator: | | |
| Invested capital: | | |
| Cash and equivalents | \$ | 948 |
| Trade receivables | | 2,991 |
| Inventories | | 1,605 |
| Net plant and equipment | | 2,036 |
| Goodwill and intangible assets | | 5,431 |
| Accounts payable and accrued expenses | | (2,095) |
| Debt | | (7,863) |
| Other, net | | 264 |
| Total net assets (stockholders' equity) | | 3,317 |
| Cash and equivalents | | (948) |
| Debt | | 7,863 |
| Total invested capital | <u>\$</u> | <u>10,232</u> |
| Average invested capital ⁽²⁾ | <u>\$</u> | <u>10,419</u> |
| Net income to average invested capital | | 33.5 % |
| After-tax return on average invested capital | | 31.2 % |

⁽¹⁾ Effective tax rate used for interest expense and other (income) expense for the year ended December 31, 2024 was 23.8%.

⁽²⁾ Average invested capital is calculated using the total invested capital balances at the start of the period and at the end of each quarter within the period presented.

A reconciliation of the 2024 effective tax rate excluding the third quarter 2024 net discrete tax benefit of \$121 million, which included favorable discrete tax benefits of \$107 million related to the utilization of capital loss carryforwards upon the sale of Wilsonart and \$87 million related to a reorganization of the Company's intellectual property, partially offset by a \$73 million discrete tax expense related to the remeasurement of unrecognized tax benefits associated with various intercompany transactions, is as follows:

| Dollars in millions | Twelve Months Ended | |
|--|----------------------------|-----------------|
| | December 31, 2024 | |
| | Income Taxes | Tax Rate |
| As reported | \$ 934 | 21.1 % |
| Net discrete tax benefit related to the third quarter 2024 | 121 | 2.7 % |
| As adjusted | <u>\$ 1,055</u> | <u>23.8 %</u> |

FREE CASH FLOW (UNAUDITED)

| Dollars in millions | Three Months Ended | |
|---|---------------------------|---------------|
| | March 31, | |
| | 2025 | 2024 |
| Net cash provided by operating activities | \$ 592 | \$ 589 |
| Less: Additions to plant and equipment | (96) | (95) |
| Free cash flow | <u>\$ 496</u> | <u>\$ 494</u> |
| Net income | <u>\$ 700</u> | <u>\$ 819</u> |
| Net cash provided by operating activities to net income conversion rate | <u>85 %</u> | <u>72 %</u> |
| Free cash flow to net income conversion rate ⁽¹⁾ | <u>71 %</u> | <u>60 %</u> |

⁽¹⁾ Excluding the impact of the cumulative effect of the change from the LIFO method of accounting to the FIFO method for certain U.S. businesses in the first quarter of 2024 (\$117 million pre-tax, or \$88 million after-tax), the free cash flow to net income conversion rate for the three months ended March 31, 2024 would have been 68%.

ADJUSTED NET INCOME PER SHARE - DILUTED (UNAUDITED)

| | Three Months Ended | Twelve Months Ended |
|---|---------------------------|----------------------------|
| | March 31, 2024 | December 31, 2024 |
| As reported | \$ 2.73 | \$ 11.71 |
| Cumulative effect of change in inventory accounting method, net of tax ⁽¹⁾ | (0.29) | (0.30) |
| Impact of sale of noncontrolling interest in Wilsonart ⁽²⁾ | — | (1.26) |
| As adjusted | <u>\$ 2.44</u> | <u>\$ 10.15</u> |

⁽¹⁾ Represents the cumulative effect of the change from the LIFO method of accounting to the FIFO method for certain U.S. businesses in the first quarter of 2024 (\$117 million pre-tax, or \$88 million after-tax).

⁽²⁾ Includes the \$363 million pre-tax gain on the sale of noncontrolling interest in Wilsonart and related taxes in the third quarter of 2024.