



# ITW Conference Call

**Third Quarter  
2011**

**October 25, 2011**

# ITW Agenda

1. Introduction..... John Brooklier
2. Third Quarter Highlights..... David Speer
3. Financial Overview..... Ron Kropp
4. Reporting Segments..... John Brooklier
5. 2011 Forecasts..... Ron Kropp
6. Q & A..... John Brooklier/Ron Kropp/David Speer

# ITW

## Forward - Looking Statements

This conference call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding operating performance, revenue growth, diluted income per share from continuing operations, diluted net income per share, restructuring expenses and related benefits, tax rates, end market conditions, and the Company's related 2011 forecasts. These statements are subject to certain risks, uncertainties, 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 2010.

# Conference Call Playback

**Replay number: 203-369-0637; No pass code necessary**

**Telephone replay available through midnight of Nov. 8, 2011**

**Webcast / PowerPoint replay available at [www.itw.com](http://www.itw.com)**

**Supplemental financial and investor information will be available on the ITW website under the “Investor Relations” tab**

# Q3 2011 Highlights

- **Total revenues grew 16.2%; Organic revenues increased 6.2%**
- **Overall end market demand in Q3 was largely in line with Q2 levels and our forecast expectations**
- **Produced diluted EPS growth of 25%**
- **Generated \$704 million in free operating cash flow**
  - **Raised our annual dividend payout 6% in August 2011**
  - **Acquired 8 companies with annualized revenues of \$296 million; year-to-date acquired 21 companies with annualized revenues of \$781 million**
  - **Executed \$400 million of share repurchase in Q3; \$950 million year-to-date**
- **Issued \$1 billion of long-term debt at attractive rates**

# ITW

## Quarterly Highlights

\$ in Millions

	<b>2010</b>	<b>2011</b>	<b>F(U) Last Year</b>	
	<b><u>Q3</u></b>	<b><u>Q3</u></b>	<b><u>Amount</u></b>	<b><u>%</u></b>
<b>Operating Revenues</b>	<b>3,941.1</b>	<b>4,580.5</b>	<b>639.4</b>	<b>16.2%</b>
<b>Operating Income</b>	<b>619.7</b>	<b>714.3</b>	<b>94.6</b>	<b>15.3%</b>
<b>% of Revenues</b>	<b>15.7%</b>	<b>15.6%</b>	<b>(0.1) pts</b>	
<b>Income from Continuing Operations</b>				
<b>Income Amount</b>	<b>403.1</b>	<b>490.1</b>	<b>87.0</b>	<b>21.6%</b>
<b>Income Per Share-Diluted</b>	<b>0.80</b>	<b>1.00</b>	<b>0.20</b>	<b>25.0%</b>
<b>Net Income</b>				
<b>Income Amount</b>	<b>422.0</b>	<b>507.6</b>	<b>85.6</b>	<b>20.3%</b>
<b>Income Per Share-Diluted</b>	<b>0.84</b>	<b>1.04</b>	<b>0.20</b>	<b>23.8%</b>
<b>Free Operating Cash Flow</b>	<b>447.6</b>	<b>704.2</b>	<b>256.6</b>	<b>57.3%</b>

All 2010 and 2011 data reflects the elimination of the one month reporting lag for international operations outside of North America. Additionally, the income statement reflects the reclassification of certain businesses to discontinued operations.

# ITW

## Quarterly Operating Analysis

	% F(U) Prior Year		
	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
Base Manufacturing Business			
Operating Leverage	6.2%	16.2%	1.5%
Changes in VM & OH costs	-	-7.8%	-1.2%
Total	<u>6.2%</u>	<u>8.4%</u>	<u>0.3%</u>
Acquisitions/Divestitures	5.3%	3.1%	-0.3%
Translation	4.7%	4.9%	0.1%
Impairment	-	0.2%	-
Restructuring	-	-1.3%	-0.2%
Other	-	-	-
Total	<u>16.2%</u>	<u>15.3%</u>	<u>-0.1%</u>

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## Non Operating & Taxes

\$ in Millions

	2010 <u>Q3</u>	2011 <u>Q3</u>	<u>F(U) Last Year</u> <u>Amount</u>	<u>%</u>
Operating Income	619.7	714.3	94.6	15.3%
Interest Expense	(43.5)	(48.6)	(5.1)	
Other Income / (Expense)	1.0	24.7	23.7	
Income from Continuing Operations - Pretax	<u>577.2</u>	<u>690.4</u>	<u>113.2</u>	19.6%
Income Taxes	174.1	200.3	(26.2)	
Tax Rate	<u>30.2%</u>	<u>29.0%</u>	<u>1.2 pts</u>	
Income from Continuing Operations	403.1	490.1	87.0	21.6%
Income from Discontinued Operations	<u>18.9</u>	<u>17.5</u>	<u>(1.4)</u>	
Net Income	<u><u>422.0</u></u>	<u><u>507.6</u></u>	<u><u>85.6</u></u>	20.3%



# ITW

## Invested Capital

\$ in Millions

	<u>9/30/10</u>	<u>6/30/11</u>	<u>9/30/11</u>
Trade Receivables	2,747.5	3,146.0	2,985.4
Days Sales Outstanding	61.0 *	61.4	58.7
Inventories	1,612.7	1,919.7	1,794.3
Months on Hand	1.8 **	1.9	1.8
Prepays and Other Current Assets	294.5	507.4	498.1
Accounts Payable & Accrued Expenses	(2,220.6)	(2,295.8)	(2,253.6)
Operating Working Capital	2,434.1	3,277.3	3,024.2
% to Revenue(Prior 4 Qtrs.)	16%	20%	17%
Net Plant & Equipment	2,051.2	2,132.0	2,037.9
Investments	446.1	435.6	424.4
Goodwill and Intangibles	6,579.0	7,206.9	7,431.7
Net Assets Held for Sale	-	321.6	314.4
Other, net	(517.5)	(108.9)	(136.6)
Invested Capital	<u>10,992.9</u>	<u>13,264.5</u>	<u>13,096.0</u>
ROIC	16.1%	15.6%	15.4%

\* Excludes trade receivables related to discontinued operations.

\*\* Excludes inventories related to discontinued operations.

# ITW

## Debt & Equity

\$ in Millions

	<u>9/30/10</u>	<u>6/30/11</u>	<u>9/30/11</u>
Short Term Debt	639.4	1,450.4	1,040.8
Long Term Debt	2,812.1	2,622.8	3,522.1
Total Debt	<u>3,451.5</u>	<u>4,073.2</u>	<u>4,562.9</u>
Stockholders' Equity	9,266.7	10,422.0	9,852.0
Total Capital	<u>12,718.2</u>	<u>14,495.2</u>	<u>14,414.9</u>
Less:			
Cash	(1,725.3)	(1,230.7)	(1,318.9)
Net Debt & Equity	<u>10,992.9</u>	<u>13,264.5</u>	<u>13,096.0</u>
Debt to Total Capital	<u>27%</u>	<u>28%</u>	<u>32%</u>
Shares outstanding at end of period	<u>495.9</u>	<u>491.4</u>	<u>483.2</u>

# ITW Cash Flow

\$ in Millions

	2010 <u>Q3</u>	2011 <u>Q3</u>
<b>Net Income</b>	422.0	507.6
Adjust for Non-Cash Items	126.0	167.3
Changes in Trade Receivables	34.1	58.3
Changes in Inventories	(38.9)	65.0
Changes in all other Operating Assets & Liabilities	(19.3)	(11.0)
<b>Net Cash From Operating Activities</b>	<u>523.9</u>	<u>787.2</u>
Additions to Plant & Equipment	(76.3)	(83.0)
<b>Free Operating Cash Flow</b>	<u>447.6</u>	<u>704.2</u>
Acquisitions	(84.7)	(450.8)
Dividends	(156.1)	(167.1)
Proceeds from Debt (Net)	267.1	577.9
Share Repurchase	(350.0)	(400.0)
Other	260.1	(176.0)
<b>Net Cash Increase</b>	<u><u>384.0</u></u>	<u><u>88.2</u></u>

Returned to shareholders	\$ 1,456
(Dividends & Share Repurchase)	
Acquisitions	<u>1,199</u>
<b>YTD Capital Allocation</b>	<b>2,655</b>

# ITW Acquisitions

\$ in Millions

	2010					2011		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
<b>Annual Revenues Acquired</b>	<b>26</b>	<b>253</b>	<b>120</b>	<b>131</b>	<b>530</b>	<b>329</b>	<b>156</b>	<b>296</b>
<b>Purchase Price</b>								
<b>Cash Paid</b>	<b>27</b>	<b>199</b>	<b>145</b>	<b>160</b>	<b>531</b>	<b>556</b>	<b>190</b>	<b>480</b>
<b>Number of Acquisitions</b>	<b>4</b>	<b>7</b>	<b>5</b>	<b>8</b>	<b>24</b>	<b>6</b>	<b>7</b>	<b>8</b>

# Transportation Quarterly Analysis Q3 2011

## Key Points (Q3'11 vs Q3'10)

- Segment organic revenues: 9.5%
- Auto OEM/Tiers: Worldwide base revenue growth of 9.2% vs. worldwide car build increase of 5%
  - North American base revenues: 6.9%; new domestics produced more cars in Q3 vs. Q2 (Japan crisis)
  - International base revenues: 11.3%; Asian base revenues grew 26.5%
  - 2011 full year auto build forecast:
    - North America: 12.8 – 13.0 million units
    - Europe: 19.0 – 20.0 million units
- Auto aftermarket worldwide base revenues grew 5.4%
- Truck remanufacturing: 17.7% base revenue growth due to oil and gas field exploration activity

\$ in Millions	Operating Revenues	Operating Income	Operating Margins
2011 Q3	790.6	120.9	15.3%
2010 Q3	628.4	92.0	14.6%
\$ Inc(Dec)	162.2	28.9	0.7%
% Inc(Dec)	25.8%	31.3%	
<u>% Inc(Dec) vs. Prior Year</u>			
Base Business			
Operating Leverage	9.5%	23.7%	1.9%
Changes in VM & OH costs	-	-9.9%	-1.3%
Total	9.5%	13.8%	0.6%
Acquisitions	12.2%	11.6%	-0.1%
Translation	4.1%	5.5%	0.2%
Impairment	-	-	-
Restructuring	-	0.5%	0.1%
Other	-	-0.1%	-0.1%
Total	25.8%	31.3%	0.7%

# Industrial Packaging Quarterly Analysis Q3 2011

## Key Points (Q3'11 vs. Q3'10)

- **Segment organic revenues: 6.3%** reflected reasonable industrial production activity worldwide, especially North America
  - Total North American industrial packaging base revenues: 8.1%
  - Total international industrial packaging base revenues: 4.2%
- **Worldwide strapping and related equipment base revenues: 7.0%**
  - North America: 12.0%
  - International: 3.7%
- **Worldwide stretch packaging base revenues: 10.3%**

\$ in Millions	Operating Revenues	Operating Income	Operating Margins
2011 Q3	664.3	70.4	10.6%
2010 Q3	575.1	63.4	11.0%
\$ Inc(Dec)	89.2	7.0	-0.4%
% Inc(Dec)	15.5%	10.9%	
<u>% Inc(Dec) vs. Prior Year</u>			
Base Business			
Operating Leverage	6.3%	21.7%	1.6%
Changes in VM & OH costs	-	-18.9%	-2.0%
Total	6.3%	2.8%	-0.4%
Acquisitions	3.6%	3.5%	-
Translation	5.5%	6.0%	0.1%
Impairment	-	-	-
Restructuring	-	-1.3%	-0.1%
Other	0.1%	-0.1%	-
Total	15.5%	10.9%	-0.4%

# Power Systems and Electronics Quarterly Analysis Q3 2011

## Key Points (Q3'11 vs. Q3'10)

- Segment organic revenues: 11.7% largely due to strong contributions from worldwide welding and PC board fabrication
- Worldwide welding base revenues: 20.2%
  - North America welding base revenues: 26.1% due to strength in oil and gas and heavy equipment end markets
  - International welding base revenues: 6.3% as Asia Pacific helped drive organic growth
- Total electronics base revenues: 1.7%
  - PC board fabrication: 9.1%
  - Other electronics: -2.6%

\$ in Millions	Operating Revenues	Operating Income	Operating Margins
2011 Q3	750.5	147.8	19.7%
2010 Q3	619.3	128.0	20.7%
\$ Inc(Dec)	131.2	19.8	-1.0%
% Inc(Dec)	21.2%	15.5%	
<u>% Inc(Dec) vs. Prior Year</u>			
Base Business			
Operating Leverage	11.7%	23.0%	2.1%
Changes in VM & OH costs	-	-8.8%	-1.6%
Total	11.7%	14.2%	0.5%
Acquisitions	6.1%	-0.7%	-1.2%
Translation	3.3%	2.9%	-
Impairment	-	-	-
Restructuring	-	-1.0%	-0.2%
Other	0.1%	0.1%	-0.1%
Total	21.2%	15.5%	-1.0%

# Food Equipment Quarterly Analysis Q3 2011

## Key Points (Q3'11 vs. Q3'10)

- **Segment organic revenues: -0.5%** as equipment sales were weak in North America and Europe; service revenues were stronger
- **Total North America base revenues: -0.8%**
  - Equipment base revenues: -3.2%
  - Service base revenues: 3.3%
- **Total international base revenues: -0.2%**
  - Equipment base revenues: -1.9%
  - Service base revenues: 4.0%

\$ in Millions	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Operating Margins</u>
2011 Q3	511.5	83.1	16.3%
2010 Q3	487.5	86.2	17.7%
\$ Inc(Dec)	24.0	-3.1	-1.4%
% Inc(Dec)	4.9%	-3.6%	
<u>% Inc(Dec) vs. Prior Year</u>			
Base Business			
Operating Leverage	-0.5%	-1.2%	-0.1%
Changes in VM & OH costs	-	-6.1%	-1.1%
Total	-0.5%	-7.3%	-1.2%
Acquisitions	1.2%	0.1%	-0.2%
Translation	4.2%	4.0%	0.1%
Impairment	-	-	-
Restructuring	-	-0.4%	-0.1%
Other	-	-	-
Total	4.9%	-3.6%	-1.4%



# Construction Products

## Quarterly Analysis

### Q3 2011

#### Key Points (Q3'11 vs. Q3'10)

- Segment organic revenues: 2.9% as North America and Europe both post positive organic revenue growth
- North America construction base revenues: 7.4% showed product penetration gains
  - Residential base revenues: 6.8%
  - Commercial base revenues: 5.0%
  - Renovation base revenues: 9.5%
- International construction base revenues: 1.0%
  - Europe base revenues: 3.3%
  - Asia Pacific base revenues: -1.7%

\$ in Millions	Operating Revenues	Operating Income	Operating Margins
2011 Q3	513.8	63.7	12.4%
2010 Q3	455.8	52.7	11.6%
\$ Inc(Dec)	58.0	11.0	0.8%
% Inc(Dec)	12.7%	20.9%	
<u>% Inc(Dec) vs. Prior Year</u>			
Base Business			
Operating Leverage	2.9%	10.4%	0.8%
Changes in VM & OH costs	-	-1.2%	-0.1%
Total	2.9%	9.2%	0.7%
Acquisitions	1.2%	0.9%	-0.1%
Translation	8.6%	12.7%	0.4%
Impairment	-	-	-
Restructuring	-	-1.9%	-0.2%
Other	-	-	-
Total	12.7%	20.9%	0.8%

# Polymers and Fluids Quarterly Analysis Q3 2011

<div>Key Points (Q3'11 vs Q3'10)</div> <div><ul style="list-style-type: none"><li>• Segment organic revenues: 8.2% reflected stronger industrial and niche end market demand for both polymer and fluid products</li><li>• Worldwide polymers: 9.0% as international industrial production demand was solid</li><li>• Worldwide fluids: 5.7% largely due to strong demand in North American MRO markets</li></ul></div>	\$ in Millions	Operating Revenues	Operating Income	Operating Margins
	2011 Q3	362.4	61.8	17.1%
	2010 Q3	277.7	49.9	18.0%
	\$ Inc(Dec)	84.7	11.9	-0.9%
	% Inc(Dec)	30.5%	23.9%	
	% Inc(Dec) vs. Prior Year			
	Base Business			
	Operating Leverage	8.2%	19.8%	1.9%
	Changes in VM & OH costs	-	1.6%	0.3%
	Total	8.2%	21.4%	2.2%
Acquisitions	16.4%	6.5%	-1.5%	
Translation	5.9%	6.0%	0.1%	
Impairment	-	-	-	
Restructuring	-	-9.9%	-1.7%	
Other	-	-0.1%	-	
Total	30.5%	23.9%	-0.9%	

# Decorative Surfaces Quarterly Analysis Q3 2011

Key Points (Q3'11 vs. Q3'10)	\$ in Millions	Operating Revenues	Operating Income	Operating Margins
<ul style="list-style-type: none"> <li>• Segment organic revenues: 8.7%</li> <li>• North America laminate base revenues: 7.0% due to launch of premium laminate products and growth in office furniture category</li> <li>• International base revenues: 10.5% due to increased demand for high pressure laminate product in China and the U.K.</li> </ul>	2011 Q3	283.2	34.2	12.1%
	2010 Q3	251.4	31.5	12.5%
	\$ Inc(Dec)	31.8	2.7	-0.4%
	% Inc(Dec)	12.7%	8.6%	
	<u>% Inc(Dec) vs. Prior Year</u>			
	Base Business			
	Operating Leverage	8.7%	27.9%	2.2%
	Changes in VM & OH costs	-	-22.7%	-2.6%
	Total	8.7%	5.2%	-0.4%
	Acquisitions	-	-	-
	Translation	4.0%	3.2%	-
	Impairment	-	-	-
	Restructuring	-	0.2%	-
	Other	-	-	-
	Total	12.7%	8.6%	-0.4%

# All Other Quarterly Analysis Q3 2011

## Key Points (Q3'11 vs. Q3'10)

- Segment organic revenues: 3.1%
- Worldwide test and measurement base revenues: 11.2% as cap ex driven equipment orders remained solid in Asia Pacific (China), North America and Europe
- Worldwide consumer packaging base revenues: flat; decorating business stronger, beverage packaging weaker
- Worldwide industrial/appliance base revenues: -4.9% due to ongoing weakness in worldwide appliance sector

\$ in Millions	Operating Revenues	Operating Income	Operating Margins
2011 Q3	725.7	132.3	18.2%
2010 Q3	669.0	115.9	17.3%
\$ Inc(Dec)	56.7	16.4	0.9%
% Inc(Dec)	8.5%	14.2%	
<u>% Inc(Dec) vs. Prior Year</u>			
Base Business			
Operating Leverage	3.1%	8.0%	0.8%
Changes in VM & OH costs	-	-0.7%	-0.1%
Total	3.1%	7.3%	0.7%
Acquisitions/Divestitures	2.5%	3.0%	0.1%
Translation	2.9%	3.2%	-
Impairment	-	0.9%	0.2%
Restructuring	-	-0.1%	-
Other	-	-0.1%	-0.1%
Total	8.5%	14.2%	0.9%

# ITW

## 2011 Forecast

	<u>Low</u>	<u>High</u>	<u>Mid Point</u>
<u>4th Quarter 2011</u>			
Total Revenues	9.5%	12.5%	11.0%
Diluted Income per Share from Continuing Operations	\$0.86	\$0.94	\$0.90
% F(U) 4th Quarter 2010	30%	42%	36%
<u>Full Year 2011</u>			
Total Revenues	15.1%	15.9%	15.5%
Diluted Income per Share from Continuing Operations	\$4.04	\$4.12	\$4.08
% F(U) 2010	40%	43%	42%

Prior midpoint of FY EPS	\$4.13
Q3 performance	0.01
Translation	(0.03)
Revenue decline	(0.02)
Restructuring	(0.01)
Current midpoint of FY EPS	\$4.08

# **ITW 2011 Forecast Key Assumptions**

- **Exchange rates hold at current levels**
- **Acquired revenues in the \$800 million to \$1 billion range for the year**
- **Restructuring costs of \$50 to \$60 million for the full year**
- **Tax rate range of 28.5% to 29.5% for Q4 and full year (excludes the impact of the Q1 Australian tax case)**



# **ITW Conference Call**

## **Q & A**

**Third Quarter  
2011**

**October 25, 2011**