

# First Quarter 2014 Conference Call



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## FORWARD LOOKING STATEMENTS

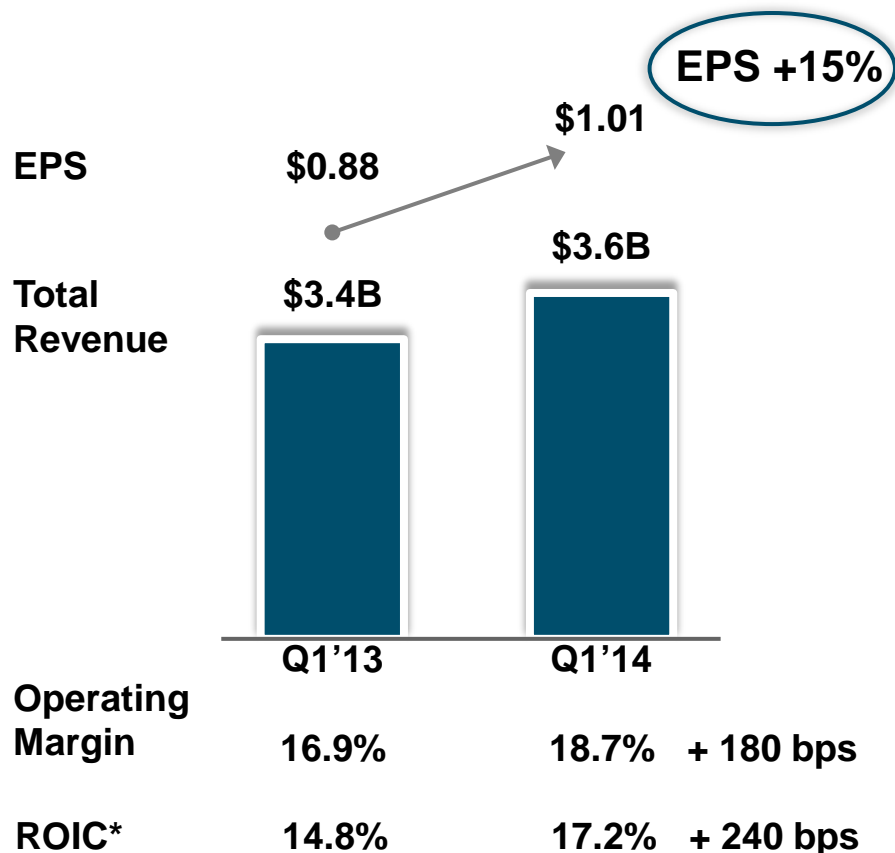
### ***Safe Harbor Statement***

This conference call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding the expected impact and timing of strategic initiatives and related benefits, future financial performance, operating performance, growth in free operating cash flow, organic and total revenue growth, operating margin growth, growth in diluted income per share from continuing operations, restructuring expenses and related benefits, tax rates, exchange rates, timing and amount of share repurchases, end market economic conditions, and the Company's related 2014 guidance. 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 2013.

### ***Non-GAAP Measures***

The Company uses certain non-GAAP measures in discussing the Company's performance. The reconciliation of those measures to the most comparable GAAP measures are detailed in ITW's press release for the first quarter of 2014.

# Q1 2014 Financial Summary



## Financial Highlights

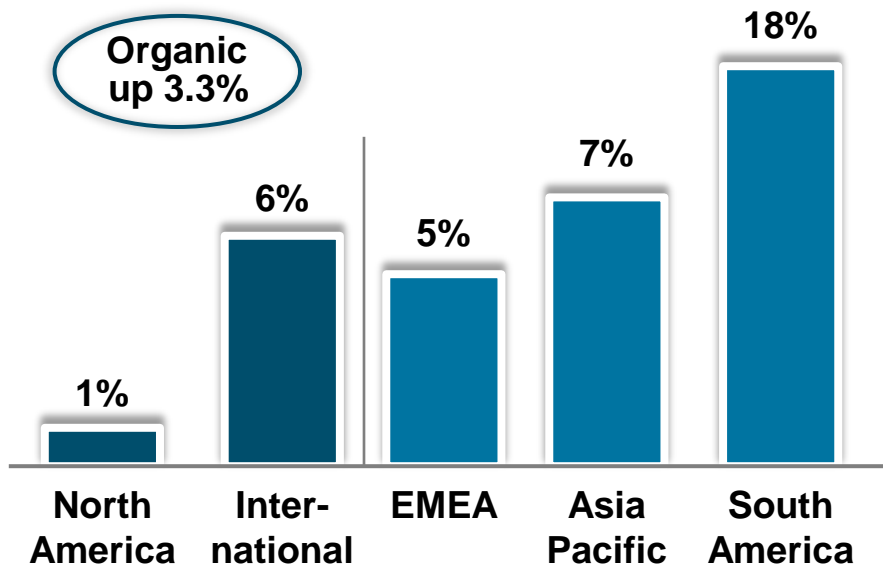
- Organic revenue up 3.3% ... international up 6.3%
- Total revenue up 4.4%
- Good progress on operating margins ... up 180 bps driven by enterprise initiatives
  - BSS and sourcing contribute 120 bps
- Accelerated share repurchase program
  - Bought 18.5M shares in Q1
- \$1.01 EPS up 15% vs. prior year

**ITW had a good start to 2014**

# Q1 2014 Organic Revenue Growth



## Growth by Geography



## Highlights

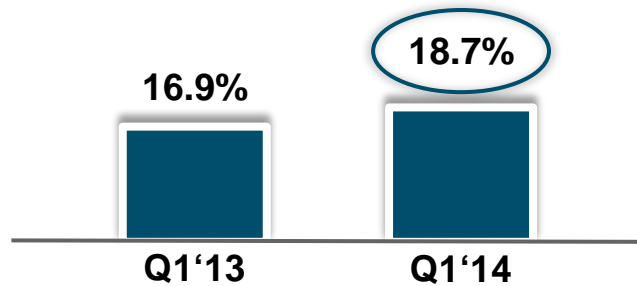
- Solid growth in Europe
  - Automotive OEM +14%, Food Equipment +6%
- Asia Pacific driven by Australia +13% and China +6%
  - Automotive OEM +17%, Construction +14%
- Good performance in South America
  - Brazil +17%
- Moderate growth in North America
  - Automotive OEM +11%, Food Equipment +6%
  - Segments tied to capex cycle ~flat

**3.3% organic growth driven by international**

# Q1 2014 Operating Margin Expansion



## Operating Margins



	OM%	V bps
Automotive OEM	23.3%	+350
T&M and Electronics	12.2	-80
Food Equipment	18.6	+190
Polymers & Fluids	16.6	+200
Welding	25.7	-30
Construction Products	14.8	+310
Specialty Products	21.1%	+120

## Key Drivers

	Q1
Enterprise Initiatives	+120 bps
Volume	+80
Price/Cost	+10
Acquisitions	-20
Margin Expansion	+180 bps

**Enterprise initiatives drove margin expansion**

# Q1 2014 Segment Results

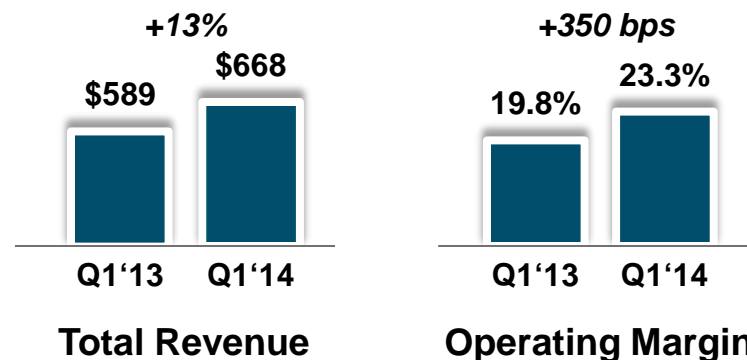


(\$'s in millions)

## By Segment

	<u>Total Revenue</u>		<u>Operating Income</u>	
	<u>Q1'14</u>	<u>VPY%</u>	<u>Q1'14</u>	<u>VPY%</u>
<b>Automotive OEM</b>	\$668	13%	\$156	34%
<b>T&amp;M and Electronics</b>	519	Flat	63	-7%
<b>Food Equipment</b>	511	9%	95	22%
<b>Polymers &amp; Fluids</b>	479	-3%	80	10%
<b>Welding</b>	463	-2%	119	-3%
<b>Construction Products</b>	416	2%	61	29%
<b>Specialty Products</b>	520	8%	109	14%
<b>Intersegment / Unallocated</b>	(7)	-	(16)	-
<b>Total Company</b>	\$3,569	4%	\$667	16%

## Automotive OEM



## Dynamics

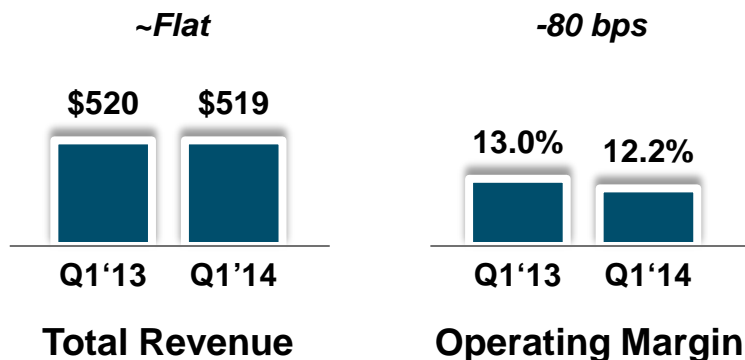
- Organic revenue growth of 13% vs. WW auto builds of 5%
- Organic revenue vs. auto builds by geography:
  - Europe: +14% vs. +7%
  - N.A.: +11% vs. +6%
  - China: +28% vs. +10%
- Auto builds expected to moderate in Q2 ... ITW to maintain strong penetration gains

# Q1 2014 Segment Results



(\$'s in millions)

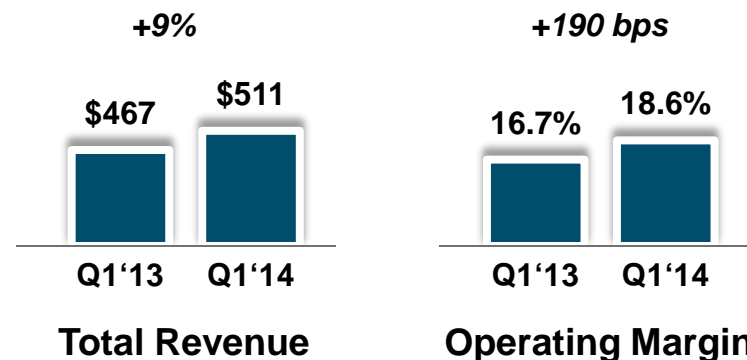
## Test & Measurement and Electronics



### Dynamics

- Organic revenue essentially flat
- Test & Measurement organic revenue -1%; sluggish capex spending and order timing
- Total Electronics ~flat
  - Other Electronics +4% as contamination control and pressure sensitive adhesives contributed to organic revenue growth
  - Electronic Assembly -7% due to weak end markets
- Segment operating margin
  - -80 bps due to higher restructuring

## Food Equipment



### Dynamics

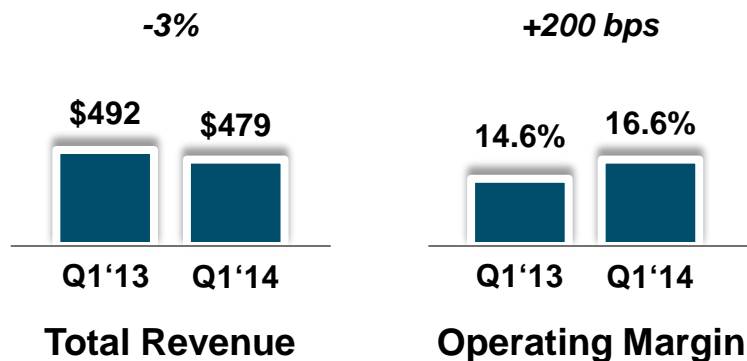
- Organic revenue growth +5%
- North America +6% with growth in both equipment +6% and service +5%
- International growth +5% supported by equipment growth of +7% and service +2%
- New product innovation in warewash and refrigeration contribute to organic revenue growth

# Q1 2014 Segment Results



(\$'s in millions)

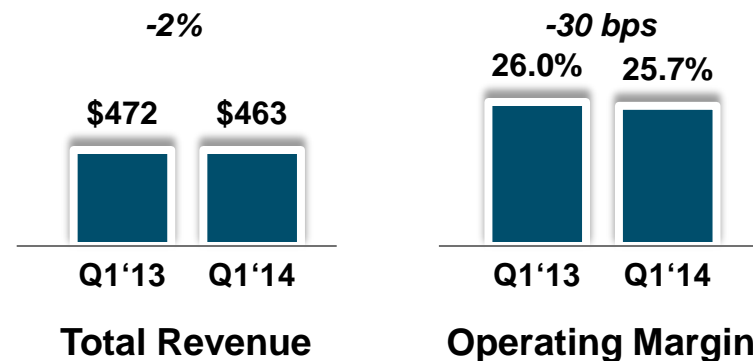
## Polymers & Fluids



### Dynamics

- Organic revenue flat due to ongoing PLS activities which is driving higher operating margin
- WW Fluids organic revenue up 4%
- Auto Aftermarket organic revenue up 2%
- Polymers & Hygiene organic revenue declined 8% as PLS continues

## Welding



### Dynamics

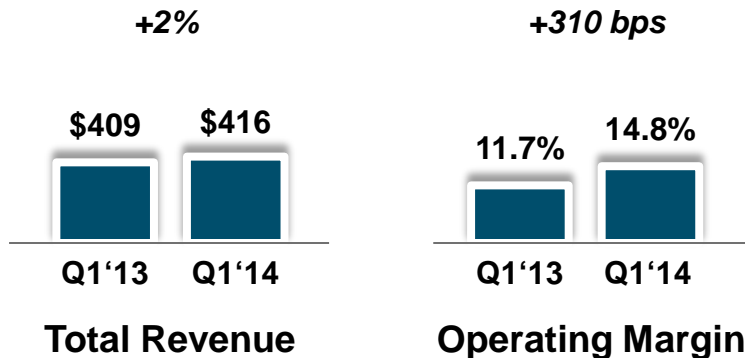
- Organic revenue declined 2%
- International: -10% due to ongoing portfolio repositioning away from ship building as well as slower pipeline activity in China
- N.A.: +1% as slow capex spend continues with heavy equipment manufacturers

# Q1 2014 Segment Results



(\$'s in millions)

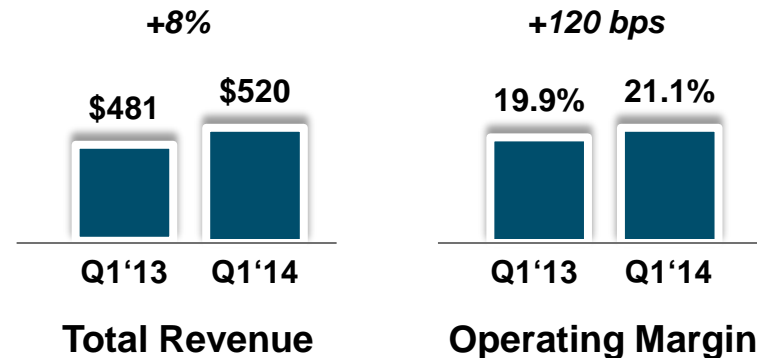
## Construction Products



### Dynamics

- +5% organic revenue growth driven by Asia Pacific
- Organic revenue by geography:
  - Asia Pacific: +14% as Australia/New Zealand residential and commercial sectors grow
  - Europe: +1%
  - N.A.: flat as U.S. residential +7%, U.S. renovation flat and U.S. commercial -8%
- Expect modest improvement in N.A. construction activity in Q2

## Specialty Products

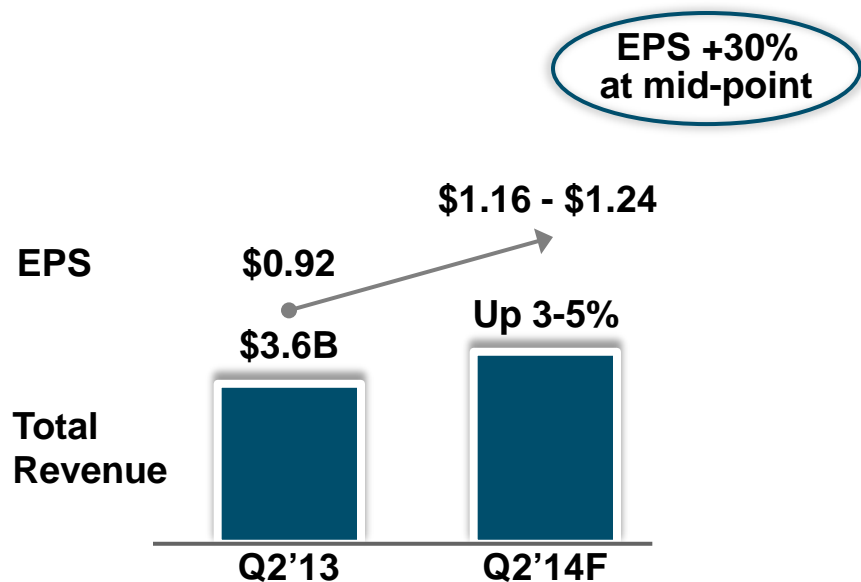


### Dynamics

- Organic revenue growth of 2% largely due to several consumer packaging businesses
- Ground Support Equipment: +10%
- WW Appliance: flat

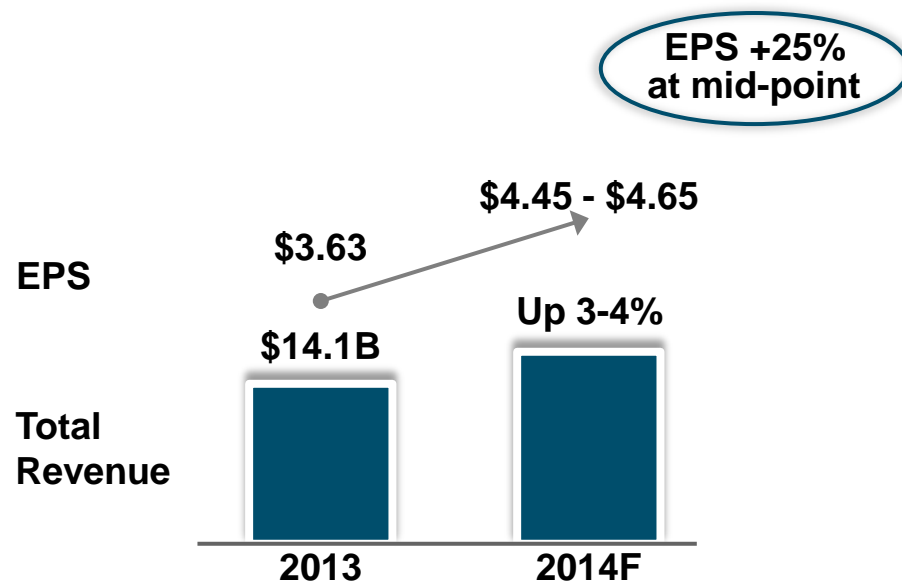


## Q2 2014 EPS Guidance



- 2-3% organic revenue growth
- Initiatives contribute ~100 bps to margin
- Essentially completing IPG divestiture related share repurchase program in Q2

## 2014 EPS Guidance



- 2-3% organic revenue growth
- Operating margin ~19.5%
- \$0.15 guidance increase driven by share count and operations

**Raising '14 EPS guidance to \$4.45 - \$4.65**