



# FIRST QUARTER 2021 EARNINGS CONFERENCE CALL

APRIL 30, 2021



# FORWARD-LOOKING STATEMENT

## 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 the duration and potential effects of the COVID-19 pandemic, related government actions and the Company's strategy in response thereto on the Company's business, expected impact of tariffs and raw material inflation, product line simplification activities and enterprise initiatives, future financial and operating performance, free cash flow, organic and total revenue, operating margin, price/cost impact, statements regarding diluted income per share, restructuring expenses and related benefits, expected dividend payments, expected repatriation, 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, potential acquisitions and dispositions and related impact on financial results, including statements with respect to the anticipated acquisition of the MTS Test & Simulation business, and the Company's 2021 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 2020.

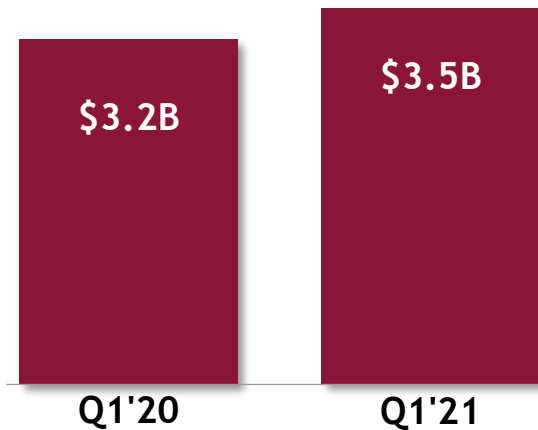
## NON-GAAP MEASURES

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 2021, which is available at [www.itw.com](http://www.itw.com), together with this presentation. The estimated guidance of Free Cash Flow conversion rate is based on assumptions that are difficult to predict, and a reconciliation of the estimated Free Cash Flow to the most directly comparable GAAP measure has 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.

# Q1'21 FINANCIAL PERFORMANCE

GAAP EPS	\$1.77	\$2.11	+19%
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REVENUE



OPERATING MARGIN	23.6%	25.5%	+190 bps
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AFTER-TAX ROIC*	27.0%	32.1%	+510 bps
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## COMMENTARY

- Continued demand improvement as revenue grew 10%
  - Organic revenue +6%, +8% on an equal days' basis
  - Foreign currency translation +4%
- Operating income of \$905M, an increase of 19%
- Operating margin of 25.5%, an increase of 190 bps
  - Incremental margins of 45%
  - Enterprise Initiatives contributed 120 bps
- After-tax Return on Invested Capital\* of 32.1%
- Free cash flow\* of \$541M, 81% of net income
  - In line with typical seasonality

**STRONG START TO THE YEAR WITH 19% EARNINGS GROWTH**



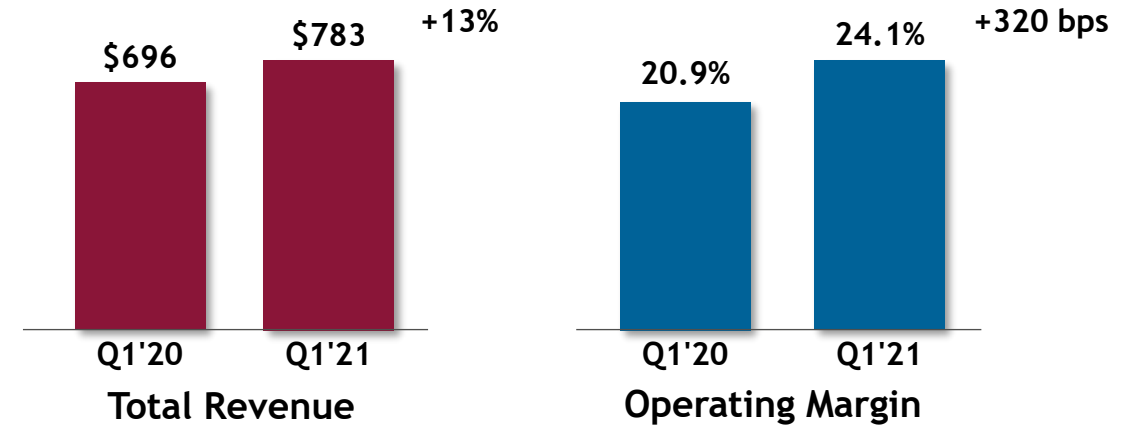
\* See ITW's first quarter 2021 press release for the reconciliation from GAAP to non-GAAP measures.

# Q1'21 SEGMENT PERFORMANCE

## ORGANIC REVENUE GROWTH

	<u>Q4'20</u>	<u>Q1'21</u>
Automotive OEM	+8%	+8%
Food Equipment	(19)%	(10)%
T&M / Electronics	(3)%	+11%
Welding	(2)%	+6%
Polymers & Fluids	+7%	+9%
Construction Products	+8%	+13%
Specialty Products	(3)%	+7%
<b>Total ITW</b>	<b>(1)%</b>	<b>+6%</b>
Note: Equal days' basis	(1)%	+8%

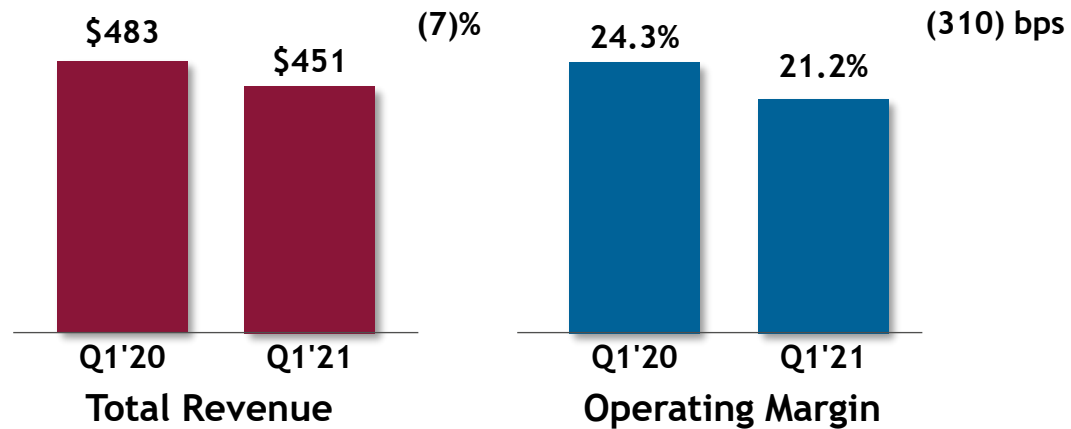
## AUTOMOTIVE OEM



- Organic revenue 8%
- North America (2)%
- Europe 4%
- China 58%

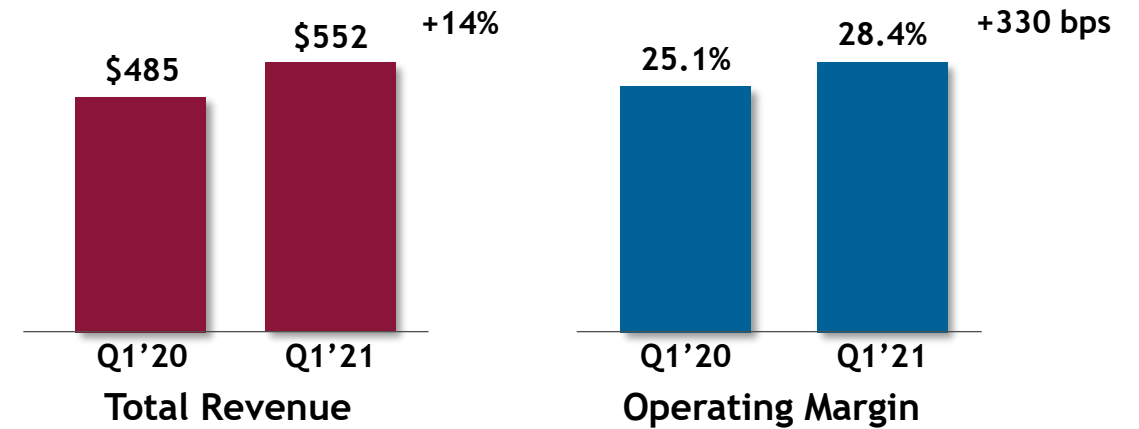
# Q1'21 SEGMENT PERFORMANCE

## FOOD EQUIPMENT



- Organic revenue (10)%
- Equipment (4)%, Service (19)%
- North America (6)%
- International (15)%

## TEST & MEASUREMENT/ELECTRONICS

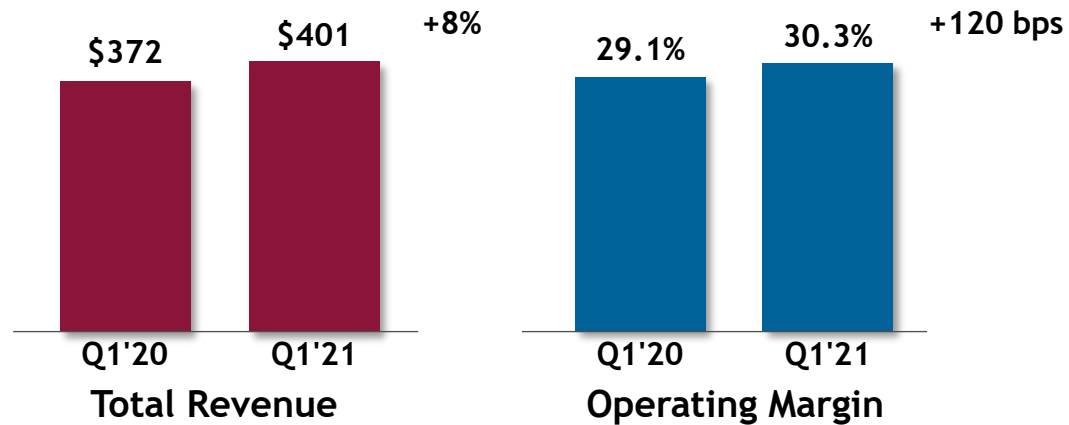


- Organic revenue 11%
- Test & Measurement 7%
- Electronics 16%



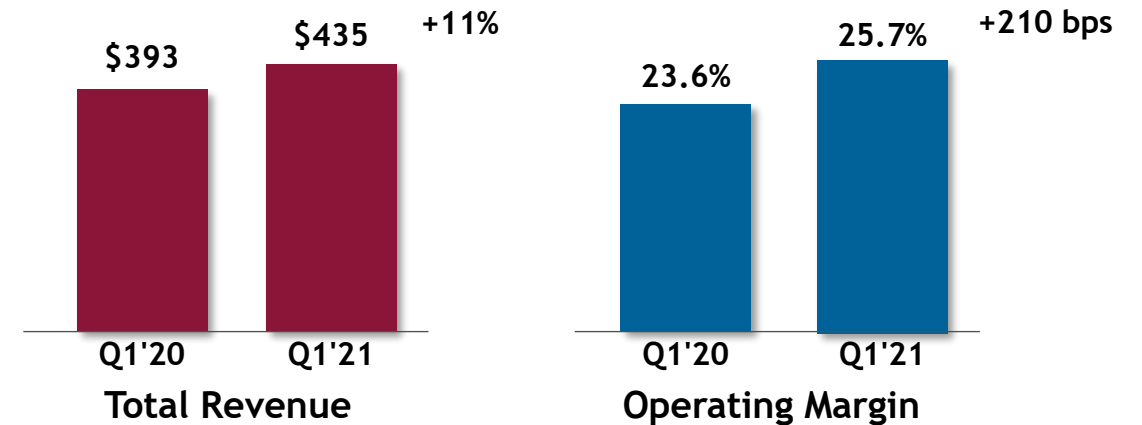
# Q1'21 SEGMENT PERFORMANCE

## WELDING



- Organic revenue 6%
- Equipment 10%, Consumables flat
- North America 7%
- International 4%

## POLYMERS & FLUIDS

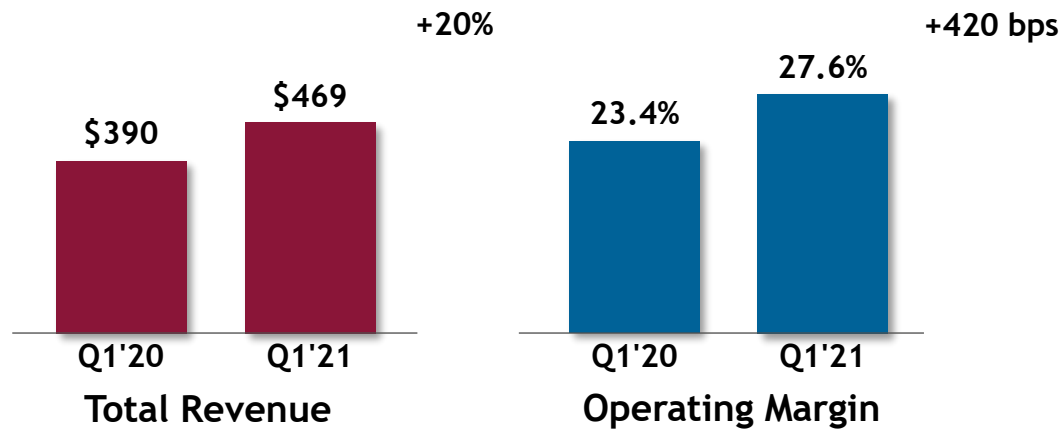


- Organic revenue 9%
- Automotive Aftermarket 9%
- Polymers 16%
- Fluids (1)%



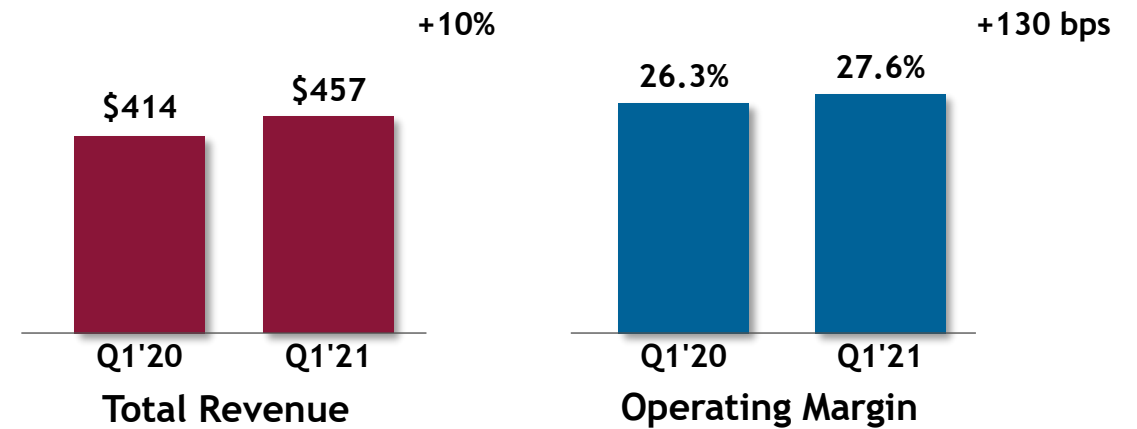
# Q1'21 SEGMENT PERFORMANCE

## CONSTRUCTION PRODUCTS



- Organic revenue 13%
- North America 12%
- Europe 19%
- Australia/New Zealand 7%

## SPECIALTY PRODUCTS



- Organic revenue 7%
- North America 6%
- International 10%

# 2021 CORE ITW FINANCIAL GUIDANCE

Excludes previously announced acquisition of MTS Test & Simulation business

GAAP EPS	\$6.63	\$8.20 to \$8.60
REVENUE	\$12.6B	\$14.1B to \$14.4B
	2020	2021E
OPERATING MARGIN	22.9%	25% to 26%
FREE CASH FLOW* CONVERSION RATE	122%	100%+

## COMMENTARY

- **Total revenue growth of 12 to 14%**
  - Organic growth of +10 to +12% based on demand rates exiting Q1 projected through FY'21
  - Foreign currency translation +2%, PLS impact of (50) bps
- **GAAP EPS growth of 24% to 30%**
  - Raising GAAP EPS guidance by \$0.60 or 8%
- **Operating margin of 25% to 26%**
  - Enterprise Initiatives contribute ~100 bps
- **Share repurchases of ~\$1 billion**

**WELL-POSITIONED FOR TOP-TIER PERFORMANCE IN 2021**



\* See ITW's first quarter 2021 press release for the reconciliation from GAAP to non-GAAP measures.





Q&A