



FOURTH QUARTER 2020 EARNINGS CONFERENCE CALL

FEBRUARY 5, 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 potential effects of the COVID-19 pandemic, related government actions and the Company's strategy in response thereto on the Company's business, the anticipated duration of the Company's COVID-19 containment and recovery phases, expected impact of tariffs and raw material inflation, product line simplification activities and enterprise initiatives, future financial performance, 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 adjustments to capacity and cost structure, expected dividend payments, expected repatriation, after-tax return on invested capital, expected total shareholder returns, 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 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 2019 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 fourth quarter of 2020, which is available at 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.



MANAGING THROUGH THE GLOBAL PANDEMIC

ITW's Response:

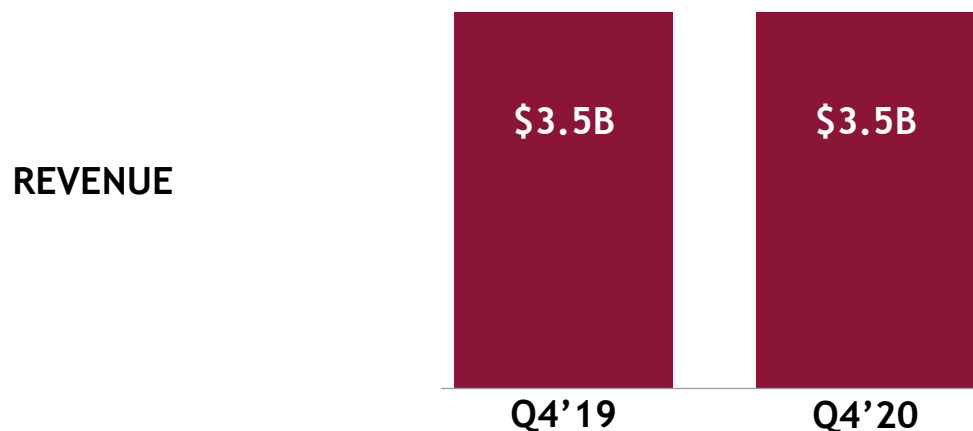
- Protect and support our people
- Continue to serve our customers with excellence
- “Win the Recovery”
- Sustain investments supporting the execution of our long-term Enterprise Strategy

Enabled By Eight Years of Progress in the Execution of ITW's Enterprise Strategy:

- Powerful and Proprietary ITW Business Model
- Decentralized, entrepreneurial and agile culture
- High-quality, diversified portfolio
- Best-in-class margin profile
- Strong balance sheet and free cash flow
- Flexible cost structure

Q4'20 FINANCIAL PERFORMANCE

GAAP EPS	\$1.99	\$2.02	+2%
- Excl. Divestiture gains	\$1.88		+7%



OPERATING MARGIN	23.7%	25.4%	+170 bps
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AFTER-TAX ROIC*	28.9%	32.0%	+310 bps
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COMMENTARY

- Solid recovery progress as revenue was up 5% vs. Q3
 - Total revenue +0.2% vs. (4.9)% in Q3
- Operating income of \$883M, an increase of 7%
- Operating margin of 25.4%, an improvement of 170 bps
 - Enterprise Initiatives contributed 130 bps
- After-tax ROIC* of 32.0%
- Free cash flow* of \$705M, 110% of net income

STRONG OPERATIONAL AND FINANCIAL PERFORMANCE



* See ITW's fourth quarter 2020 press release for the reconciliation from GAAP to non-GAAP measures.

STRONG RECOVERY / RESPONSE BY SEGMENT

ORGANIC REVENUE

	<u>Q2'20</u>	<u>Q3'20</u>	<u>Q4'20</u>
Automotive OEM	(53)%	(5)%	+8%
Food Equipment	(38)%	(20)%	(19)%
T&M / Electronics	(11)%	(2)%	(3)%
Welding	(25)%	(10)%	(2)%
Polymers & Fluids	(14)%	+6%	+7%
Construction Products	(9)%	+8%	+8%
Specialty Products	(16)%	(5)%	(3)%
Total ITW	(27)%	(5)%	(1)%

OPERATING MARGIN

	<u>Q2'20</u>	<u>Q3'20</u>	<u>Q4'20</u>
Automotive OEM	(7.8)%	20.8%	23.9%
Food Equipment	9.2%	19.6%	22.3%
T&M / Electronics	25.7%	27.2%*	28.6%
Welding	21.6%	27.9%	28.9%
Polymers & Fluids	23.1%	26.6%	25.4%
Construction Products	23.7%	28.1%	26.2%
Specialty Products	25.4%	28.0%**	27.0%
Total ITW	17.5%	23.8%	25.4%

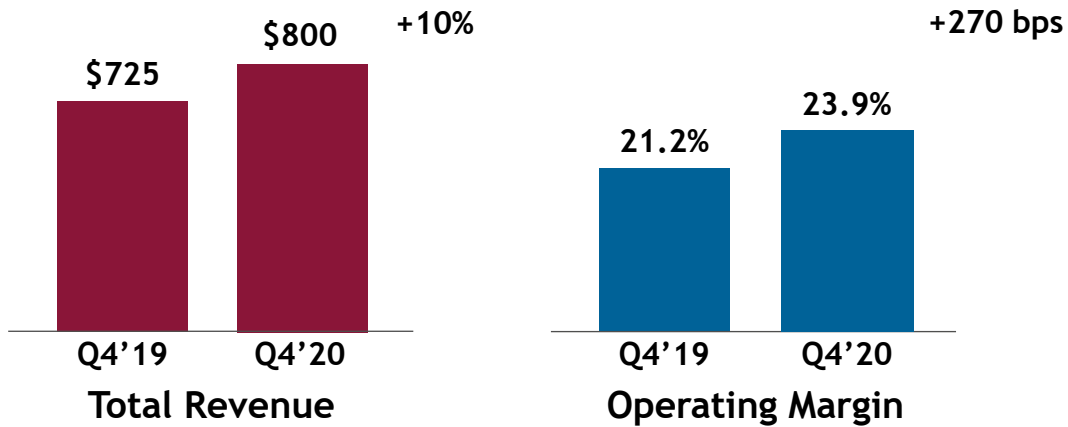


* Q3'20 excludes 350 basis points of unfavorable operating margin impact related to the recapture of amortization and depreciation expense related to a business previously classified as held for sale.

** Q3'20 excludes 280 basis points of unfavorable operating margin impact related to the impact of a one-time customer cost-sharing settlement.

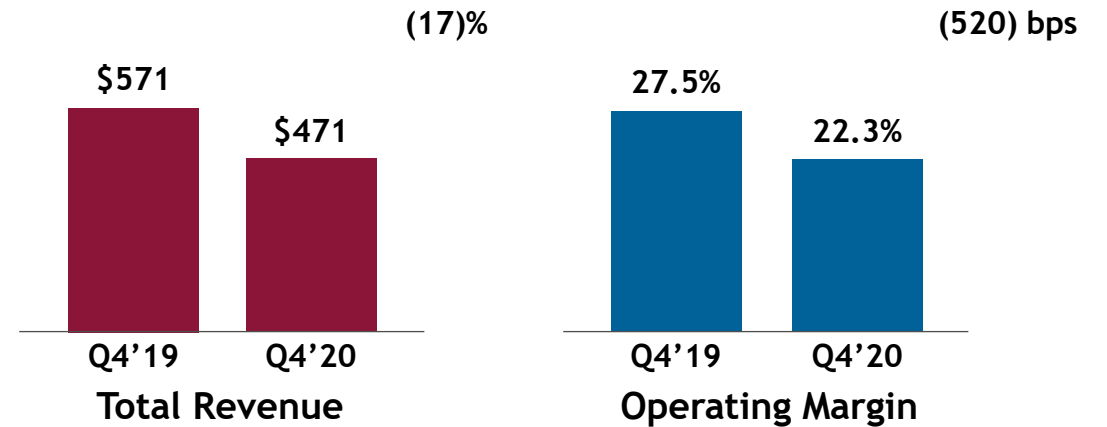
Q4'20 SEGMENT PERFORMANCE

AUTOMOTIVE OEM



- Organic revenue 8%
- North America ~flat
- Europe 10%
- China 20%

FOOD EQUIPMENT

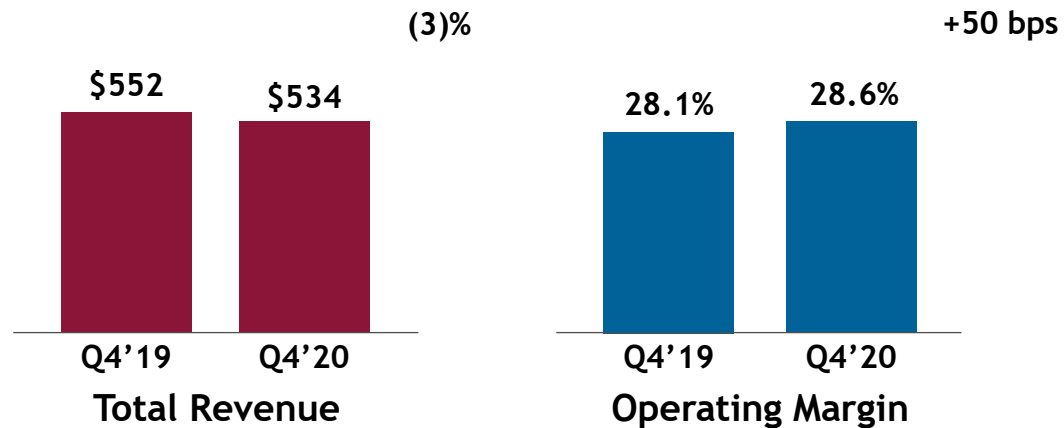


- Organic revenue (19)%
- Equipment (20)%, Service (18)%
- North America (20)%
- International (18)%



Q4'20 SEGMENT PERFORMANCE

TEST & MEASUREMENT/ELECTRONICS



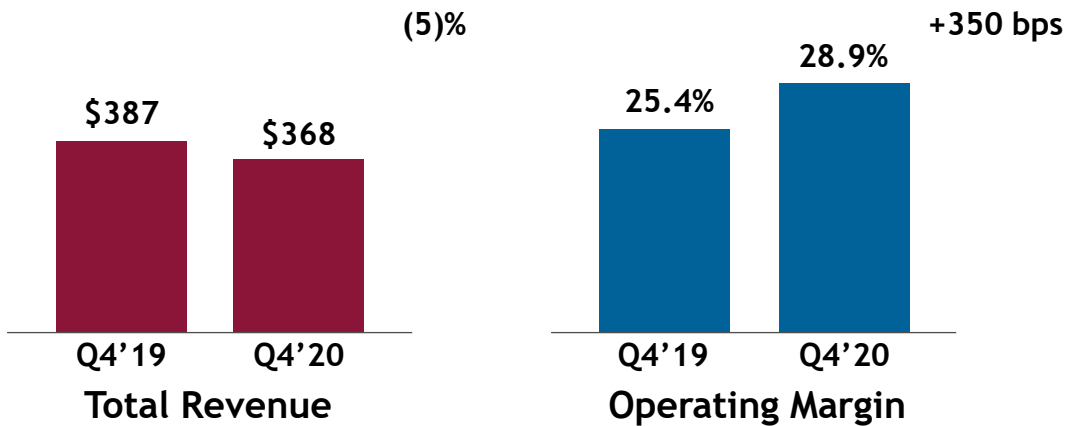
- Organic revenue (3)%
- Test & Measurement (8)%
 - Tough comparison as Q4'19 was +6%
- Electronics 3%

ACQUISITION OF MTS T&S BUSINESS

- Highly complementary to Test & Measurement / Electronics, positions ITW in new industry verticals
 - FY'19 revenue of \$559 million, operating margin of 6%*
- Tight strategic fit that will reinforce and further enhance ITW's organic growth potential
- Potential to generate significant margin improvement and ITW caliber returns from the application of 80/20 FTB
 - ITW-caliber margins by year five
 - After-tax ROIC by year ten in the high teens
- Expected to close mid-2021

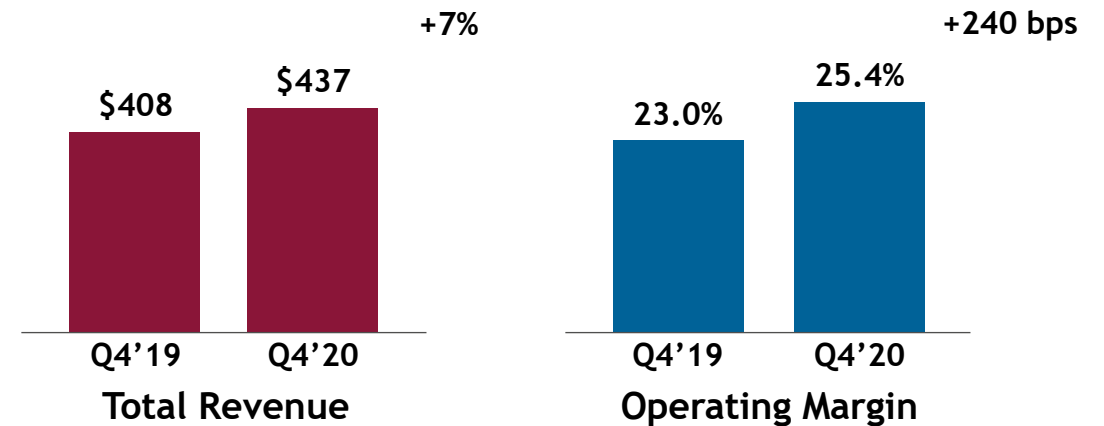
Q4'20 SEGMENT PERFORMANCE

WELDING



- Organic revenue (2)%
- Equipment flat, Consumables (6)%
- North America flat, International (14)%

POLYMERS & FLUIDS

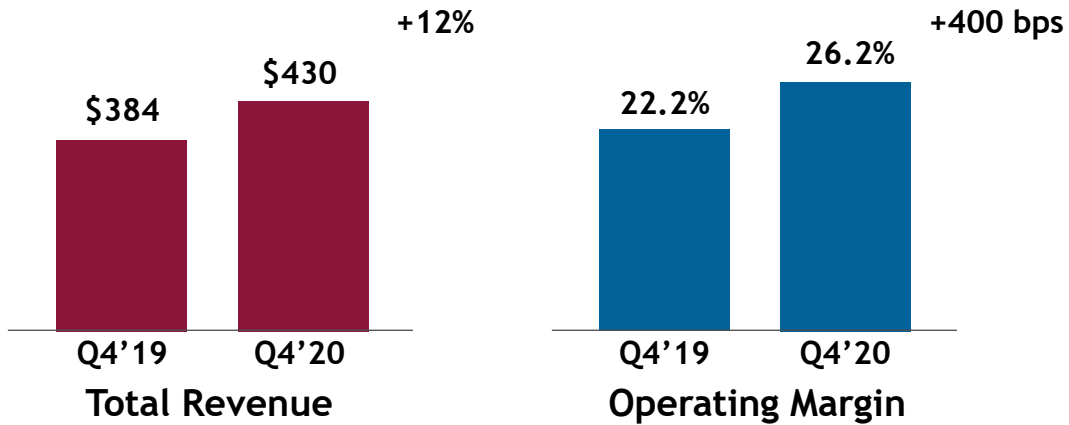


- Organic revenue 7%
- Fluids 16%
- Automotive Aftermarket 5%
- Polymers 4%



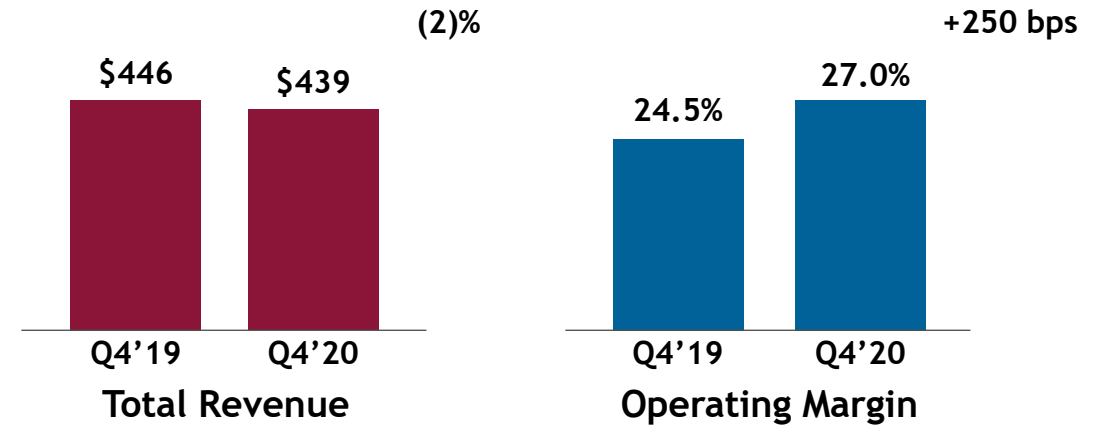
Q4'20 SEGMENT PERFORMANCE

CONSTRUCTION PRODUCTS



- Organic revenue 8%
- North America 10%
- Europe 9%
- Australia/New Zealand 5%

SPECIALTY PRODUCTS



- Organic revenue (3)%
- North America (2)%
- International (4)%



2020 FINANCIAL PERFORMANCE

GAAP EPS	\$7.74	\$6.63	(14)%
REVENUE	\$14.1B	\$12.6B	
	2019	2020	
OPERATING MARGIN	24.1%	22.9%	(120) bps
AFTER-TAX ROIC*	28.7%	26.2%	(250) bps

COMMENTARY

- Total revenue (11)%
 - Organic revenue (10)%, divestitures (1)%
- Operating income of \$2.9B
- Operating margin of 22.9%
 - Enterprise Initiatives contributed 120 bps
- After-tax ROIC* of 26.2%
- Free cash flow* of \$2.6B, 122% of net income

HIGHLY RESILIENT FINANCIAL PERFORMANCE



* See ITW's fourth quarter 2020 press release for the reconciliation from GAAP to non-GAAP measures.

2021 FINANCIAL GUIDANCE

GAAP EPS	\$6.63	\$7.60 to \$8.00
REVENUE	\$12.6B	\$13.7B to \$14.1B
	2020	2021E
OPERATING MARGIN	22.9%	24% to 25%
FREE CASH FLOW* CONVERSION RATE	122%	100%+

COMMENTARY

- Total revenue growth of 9% to 12%
 - Organic growth of 7% to 10%
 - Foreign currency +2%, PLS impact of (50) bps
- GAAP EPS growth of 15% to 21%
- Operating margin of 24% to 25%
 - Enterprise Initiatives contribute ~100 bps
- Share repurchases of ~\$1 billion

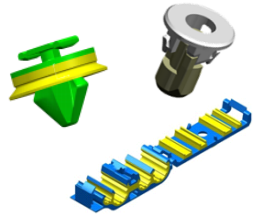
WELL-POSITIONED TO DELIVER TOP-TIER PERFORMANCE IN 2021



* See ITW's fourth quarter 2020 press release for the reconciliation from GAAP to non-GAAP measures.

2021 ORGANIC GROWTH PROJECTIONS BY SEGMENT

Assuming current levels of demand, adjusted for typical seasonality



**Automotive
OEM**



**Food
Equipment**



T&M / E



Welding



**Polymers
& Fluids**



**Construction
Products**



**Specialty
Products**

2020

(16)%

(21)%

(5)%

(12)%

(1)%

+2%

(8)%

2021E

14% - 18%

8% - 12%

5% - 9%

5% - 9%

4% - 8%

3% - 7%

3% - 7%

2021 ENTERPRISE ORGANIC GROWTH FORECAST OF 7% TO 10%



Q&A