Illinois Tool Works Inc. (ITW)

Updated August 4th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$252	**5 Year CAGR Estimate:**	9.6%	**Market Cap:**	$74 B
Fair Value Price:	$233	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date[1]:**	09/30/25
% Fair Value:	108%	**5 Year Valuation Multiple Estimate:**	-1.6%	**Dividend Payment Date[1]:**	10/10/25
Dividend Yield:	2.6%	**5 Year Price Target**	$359	**Years Of Dividend Growth:**	62
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Illinois Tool Works is a diversified multi-industrial manufacturer with seven unique operating segments: Automotive, Food Equipment, Test & Measurement, Welding, Polymers & Fluids, Construction Products and Specialty Products. Last year the company generated $15.9 billion in revenue. The $74 billion market cap company is geographically diversified, with more than half of its revenue generated outside of the United States. Illinois Tool Works is a member of the Dividend Aristocrats Index and is a Dividend King.

On August 1st, 2025, Illinois Tool Works reported second quarter 2025 results for the period ending September 30, 2025. For the quarter, revenue came in at $4.1 billion, rising 1% year-over-year. Sales increased 3.8% in the Automotive OEM segment, the largest out of the company's seven segments. Furthermore, its Polymers & Fluids, and Construction Products segments saw revenue decline 3.4% and 6.1%, respectively. Meanwhile, Specialty Products, Test & Measurement and Electronics, Food Equipment, and Welding had revenue growth of 1.1%, 1.2%, 2.1%, and 2.9%, respectively.

Net income equaled $755 million or $2.58 per share compared to $759 million or $2.54 per share in Q2 2024.

In the second quarter, ITW repurchased $375 million of its shares.

Illinois Tool Works narrowed its 2025 guidance, now expecting full-year GAAP EPS to be $10.35 to $10.55. It also still expects to repurchase approximately $1.5 billion of its common stock this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$5.13	$5.70	$6.78	$7.60	$7.74	$6.63	$8.51	$9.77	$9.74	$11.71	***$10.45***	***$16.08***
DPS	$2.07	$2.40	$2.73	$3.56	$4.14	$4.42	$4.72	$5.06	$5.42	$5.80	***$6.44***	***$9.03***
Shares[2]	364	347	342	328	320	318	315	308	304	298	***291***	***275***

In the 2007 through 2019 period Illinois Tool Works increased its earnings-per-share by an average compound rate of 7.2% per annum. While there was cyclicality during the great recession, including a -40% drop in earnings from 2007 to 2009, generally the company has exhibited consistent progress. In the past, Illinois Tool Works was able to grow via moderate top-line growth that was aided significantly by margin expansion and share repurchases.

Results for 2020 dipped -14% amid the pandemic, but 2021 bounced back materially and 2022, 2023 and 2024's results were outright impressive. In the past nine and five years, Illinois Tool's EPS have increased at an average annual rate of 9.6% and 9.3%, respectively. Moving forward, growth becomes a bit more difficult as the company gets larger. Still, the balance sheet is in good shape, allowing for some flexibility from a capital allocation standpoint. Moreover, attractive returns can be achieved without venturing outside Illinois Tool Works' existing core competencies. Illinois Tool Works can continue to invest in its sales networks, R&D, and manufacturing capacity, while cost-cutting measures could continue to boost margins.

[1] Estimated date.

[2] In millions.

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We are using the midpoint of management's guidance, $10.45, along with a 9% expected annual growth rate over the intermediate term. This is at the lower end of the company's 9% to 10% annual EPS growth target, as we prefer to remain conservative in our estimates.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	18.0	19.0	21.0	19.3	19.8	27.4	25.7	24.4	23.7	24.9	***24.1***	***22.3***
Avg. Yld.	2.2%	2.2%	1.9%	2.4%	2.7%	2.4%	2.2%	2.2%	2.2%	2.2%	***2.6%***	***2.5%***

Over the past decade shares of Illinois Tool Works have traded hands with an average P/E ratio of 22.3 times earnings. We believe that a P/E ratio of 22.3 is a fair starting point, considering the quality of the business and growth prospects. With shares currently trading at just over 24 times the midpoint of management's guidance, this implies the potential for a valuation headwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	40%	42%	40%	47%	53%	67%	55%	52%	56%	50%	***62%***	***56%***

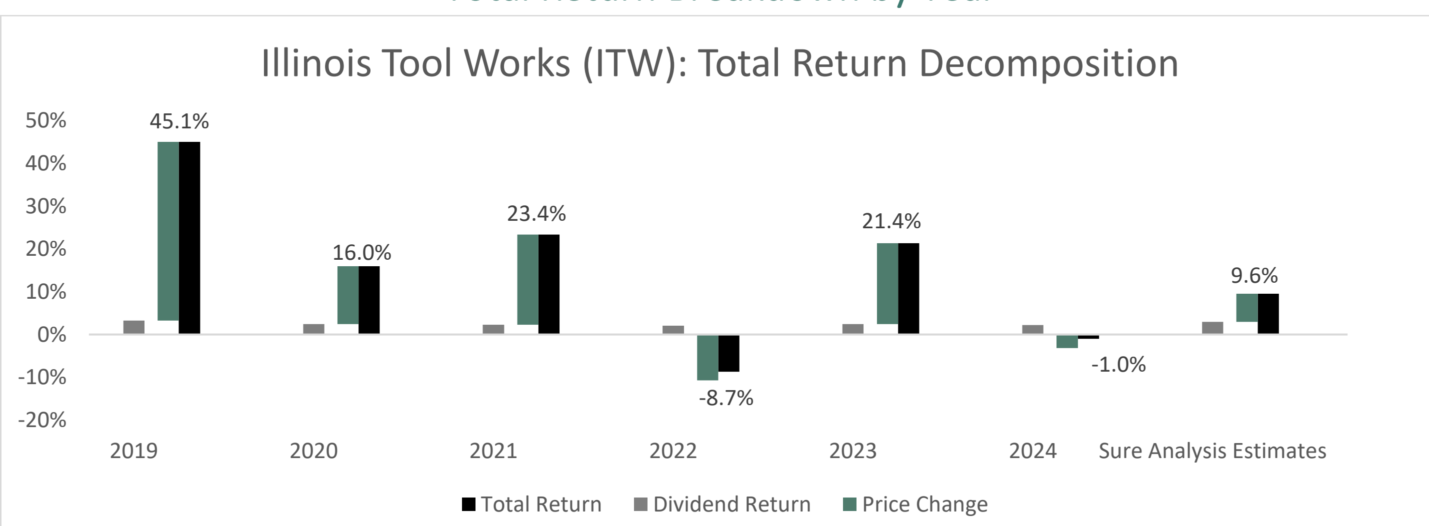
Illinois Tool Works has an excellent dividend growth history. Its payout ratio was relatively high during the last financial crisis, but the company was not forced to cut the payout. Today the dividend payout ratio sits at 62% of expected earnings, above the company's long-term target, meaning that future dividend growth may trail earnings growth.

Illinois Tool Works' industry is not glamorous or one with outstanding growth rates, but the company has established itself as a major player that continues to grow profitably. Its experienced management and strong fundamentals, such as an above-average return on capital, function as competitive advantages. The company's profits were reduced during the last financial crisis, posting earnings-per-share of $3.36, $3.05, $1.93, and $3.03 during the 2007 through 2010 stretch. This is something to consider for the next downtown, as the business was tested in 2020 as well.

Final Thoughts & Recommendation

Shares of ITW have declined 1% year-to-date, underperforming the broader market's 6% increase. Illinois Tool Works has several positives, including solid earnings growth, a fair dividend yield, and a long and successful dividend growth history. Total return potential comes in at 9.6% per annum, stemming from 9.0% annual EPS growth and the 2.6% starting dividend yield, partly offset by -1.6% valuation contraction. ITW maintains its hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	13405	13599	14314	14768	14109	12570	14460	15932	16110	15900
Gross Profit	5517	5703	6005	6164	5922	5199	5966	6503	6791	7040
Gross Margin	41.2%	41.9%	42.0%	41.7%	42.0%	41.4%	41.3%	40.8%	42.2%	44.3%
SG&A Exp.	2417	2415	2400	2391	2361	2163	2356	2579	2638	2675
D&A Exp.	477	470	462	461	426	427	410	410	395	402
Operating Profit	2867	3064	3399	3584	3402	2882	3477	3790	4040	4264
Op. Margin	21.4%	22.5%	23.7%	24.3%	24.1%	22.9%	24.0%	23.8%	25.1%	26.8%
Net Profit	1899	2035	1687	2563	2521	2109	2694	3034	2957	3488
Net Margin	14.2%	15.0%	11.8%	17.4%	17.9%	16.8%	18.6%	19.0%	18.4%	21.9%
Free Cash Flow	2015	2029	2105	2447	2669	2571	2261	1936	3084	2844
Income Tax	820	873	1583	831	767	595	632	808	866	934

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	15729	15201	16780	14870	15068	15610	16080	15422	15520	15070
Cash & Equivalents	3090	2472	3094	1504	1981	2564	1527	708	1065	948
Acc. Receivable	2203	2357	2628	2622	2461	2506	2840	3171	3123	2991
Inventories	1086	1076	1220	1318	1164	1189	1694	2054	1707	1605
Goodwill & Int.	5999	6021	6024	5717	5343	5471	5937	5632	5566	5431
Total Liabilities	10501	10942	12191	11612	12038	12430	12450	12333	12500	11750
Accounts Payable	449	511	590	524	472	534	585	594	581	519
Long-Term Debt	7422	7829	8328	7380	7758	8122	7687	7763	8164	7863
Total Equity	5224	4254	4585	3254	3026	3181	3625	3088	3012	3316
LTD/E Ratio	1.42	1.84	1.82	2.27	2.56	2.56	2.12	2.51	2.71	2.37

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	11.4%	13.2%	10.6%	16.2%	16.8%	13.8%	17.0%	19.3%	19.1%	22.8%
Return on Equity	31.5%	42.9%	38.2%	65.4%	80.3%	68.0%	79.2%	90.4%	97.0%	110.2%
ROIC	14.1%	16.5%	13.5%	21.8%	23.5%	19.1%	23.8%	27.4%	26.9%	31.2%
Shares Out.	364	347	342	328	320	318	316	311	304	298
Revenue/Share	36.22	38.08	41.27	43.81	43.33	39.5	45.69	51.28	53.05	53.38
FCF/Share	5.44	5.68	6.07	7.26	8.20	8.08	7.15	6.23	10.16	9.55

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.