



# Illinois Tool Works Inc. (ITW)

Updated February 5<sup>th</sup>, 2026 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$292	<b>5 Year CAGR Estimate:</b>	8.3%	<b>Market Cap:</b>	\$84 B
<b>Fair Value Price:</b>	\$257	<b>5 Year Growth Estimate:</b>	9.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	03/31/26
<b>% Fair Value:</b>	114%	<b>5 Year Valuation Multiple Estimate:</b>	-2.5%	<b>Dividend Payment Date<sup>1</sup>:</b>	04/10/26
<b>Dividend Yield:</b>	2.2%	<b>5 Year Price Target</b>	\$395	<b>Years Of Dividend Growth:</b>	62
<b>Dividend Risk Score:</b>	A	<b>Sector:</b>	Industrials	<b>Rating:</b>	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 \$16 billion in revenue. The \$84 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 February 3<sup>rd</sup>, 2026, Illinois Tool Works reported fourth quarter 2025 results for the period ending December 31, 2025. For the quarter, revenue came in at \$4.1 billion, rising 4% year-over-year. Sales increased 5.5% in the Automotive OEM segment, the largest out of the company's seven segments. Furthermore, its Construction Products segment saw revenue decline 1.5%. Meanwhile, Welding, Food Equipment, Specialty Products, Test & Measurement and Electronics, and Polymers & Fluids had revenue growth of 3.3%, 3.8%, 4.0%, 5.5% and 6.5%, respectively.

Net income equaled \$790 million or \$2.72 per share compared to \$750 million or \$2.54 per share in Q4 2024.

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

Illinois Tool Works initiated its 2026 guidance, expecting full-year GAAP EPS to be \$11.00 to \$11.40. It also expects to repurchase approximately \$1.5 billion of its common stock this year, just as it did last year.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$5.70	\$6.78	\$7.60	\$7.74	\$6.63	\$8.51	\$9.77	\$9.74	\$11.71	\$10.49	<b>\$11.20</b>	<b>\$17.23</b>
<b>DPS</b>	\$2.40	\$2.73	\$3.56	\$4.14	\$4.42	\$4.72	\$5.06	\$5.42	\$5.80	\$6.22	<b>\$6.44</b>	<b>\$9.03</b>
<b>Shares<sup>2</sup></b>	347	342	328	320	318	315	308	304	296	290	<b>285</b>	<b>270</b>

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 cyclicity 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 7.0% and 9.6%, 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.

<sup>1</sup> Estimated date.

<sup>2</sup> In millions.

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We are using the midpoint of management's guidance, \$11.20, 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	19.0	21.0	19.3	19.8	27.4	25.7	24.4	23.7	24.9	23.5	<b>26.0</b>	<b>22.9</b>
Avg. Yld.	2.2%	1.9%	2.4%	2.7%	2.4%	2.2%	2.2%	2.2%	2.2%	2.5%	<b>2.2%</b>	<b>2.3%</b>

Over the past decade shares of Illinois Tool Works have traded hands with an average P/E ratio of 22.9 times earnings. We believe that a P/E ratio of 22.9 is a fair starting point, considering the quality of the business and growth prospects. With shares currently trading 26 times the midpoint of management's guidance, this implies the potential for a valuation headwind.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	42%	40%	47%	53%	67%	55%	52%	56%	50%	59%	<b>58%</b>	<b>52%</b>

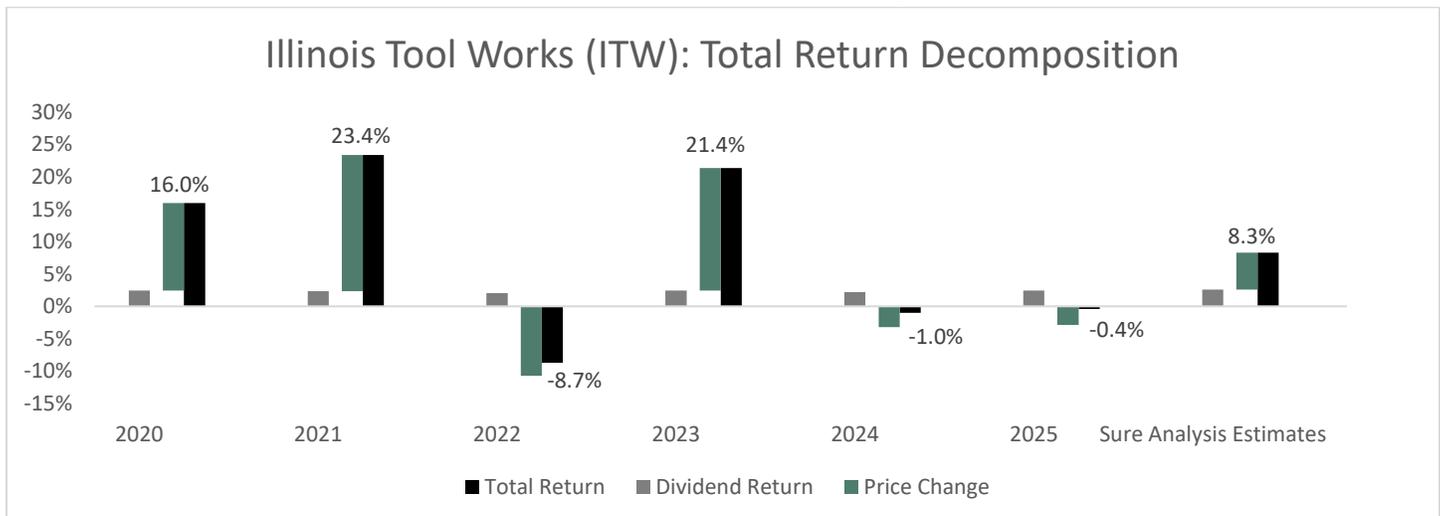
Illinois Tool Works has an excellent dividend growth history. Its payout ratio was relatively high during the last financial crisis, but the company was not forced to cut the payout. Today the dividend payout ratio sits at 58% of expected earnings, above the company's long-term target, meaning that future 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 downturn, as the business was tested in 2020 as well.

## Final Thoughts & Recommendation

Shares of ITW have soared 18% year-to-date, outperforming the broader market's flat performance. 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 8.3% per annum, stemming from 9.0% annual EPS growth and the 2.2% starting dividend yield, partly offset by -2.5% valuation contraction. ITW maintains its hold rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	13599	14314	14768	14109	12570	14460	15932	16110	15900	16040
<b>Gross Profit</b>	5703	6005	6164	5922	5199	5966	6503	6791	7040	7,075
<b>Gross Margin</b>	41.9%	42.0%	41.7%	42.0%	41.4%	41.3%	40.8%	42.2%	44.3%	44.1%
<b>SG&amp;A Exp.</b>	2415	2400	2391	2361	2163	2356	2579	2638	2675	0
<b>D&amp;A Exp.</b>	470	462	461	426	427	410	410	395	402	402
<b>Operating Profit</b>	3064	3399	3584	3402	2882	3477	3790	4040	4264	4,216
<b>Op. Margin</b>	22.5%	23.7%	24.3%	24.1%	22.9%	24.0%	23.8%	25.1%	26.8%	26.3%
<b>Net Profit</b>	2035	1687	2563	2521	2109	2694	3034	2957	3488	3,066
<b>Net Margin</b>	15.0%	11.8%	17.4%	17.9%	16.8%	18.6%	19.0%	18.4%	21.9%	19.1%
<b>Free Cash Flow</b>	2029	2105	2447	2669	2571	2261	1936	3084	2844	2,844
<b>Income Tax</b>	873	1583	831	767	595	632	808	866	934	900

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	15201	16780	14870	15068	15610	16080	15422	15520	15070	16,150
<b>Cash &amp; Equivalents</b>	2472	3094	1504	1981	2564	1527	708	1065	948	851
<b>Acc. Receivable</b>	2357	2628	2622	2461	2506	2840	3171	3123	2991	3,227
<b>Inventories</b>	1076	1220	1318	1164	1189	1694	2054	1707	1605	1,659
<b>Goodwill &amp; Int.</b>	6021	6024	5717	5343	5471	5937	5632	5566	5431	5,689
<b>Total Liabilities</b>	10942	12191	11612	12038	12430	12450	12333	12500	11750	12,920
<b>Accounts Payable</b>	511	590	524	472	534	585	594	581	519	522
<b>Long-Term Debt</b>	7829	8328	7380	7758	8122	7687	7763	8164	7863	6,683
<b>Total Equity</b>	4254	4585	3254	3026	3181	3625	3088	3012	3316	3,230
<b>LTD/E Ratio</b>	1.84	1.82	2.27	2.56	2.56	2.12	2.51	2.71	2.37	2.781

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	13.2%	10.6%	16.2%	16.8%	13.8%	17.0%	19.3%	19.1%	22.8%	19.6%
<b>Return on Equity</b>	42.9%	38.2%	65.4%	80.3%	68.0%	79.2%	90.4%	97.0%	110%	93.7%
<b>ROIC</b>	16.5%	13.5%	21.8%	23.5%	19.1%	23.8%	27.4%	26.9%	31.2%	26.0%
<b>Shares Out.</b>	347	342	328	320	318	316	311	304	298	292.3
<b>Revenue/Share</b>	38.08	41.27	43.81	43.33	39.5	45.69	51.28	53.05	53.38	54.89
<b>FCF/Share</b>	5.68	6.07	7.26	8.20	8.08	7.15	6.23	10.16	9.55	9.55

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

### Disclaimer

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