Illinois Tool Works Inc. (ITW)

Updated October 30th, 2026 by Quinn Mohammed

Key Metrics

Current Price:	$279	**5 Year CAGR Estimate:**	9.5%	**Market Cap:**	$80 B
Fair Value Price:	$270	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date[1]:**	12/31/26
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.6%	**Dividend Payment Date[1]:**	01/09/26
Dividend Yield:	2.5%	**5 Year Price Target**	$397	**Years Of Dividend Growth:**	63
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 $16 billion in revenue. The $80 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 October 27th, 2026, Illinois Tool Works reported third quarter 2026 results for the period ended September 30, 2026. For the quarter, revenue came in at $4.24 billion, rising 4.4% year-over-year. Sales decreased 1.8% in the Automotive OEM segment, the largest out of the company's seven segments. Furthermore, its Food Equipment, Welding, Polymers & Fluids, and Test & Measurement and Electronics segments saw revenue increase 0.7%, 7.3%, 8.1%, 8.8%, and 17.3%, respectively. Meanwhile, Construction Products was flat and Specialty Products declined 1.1%.

Net income equaled $855 million or $3.00 per share compared to $821 million or $2.81 per share in Q3 2025.

In the third quarter, ITW repurchased $187 million of its shares.

Illinois Tool Works increased its 2026 guidance by five cents, now expecting full-year GAAP EPS to be $11.45 to $11.55. 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
EPS	$5.70	$6.78	$7.60	$7.74	$6.63	$8.51	$9.77	$9.74	$11.71	$10.49	***$11.50***	***$16.90***
DPS	$2.40	$2.73	$3.56	$4.14	$4.42	$4.72	$5.06	$5.42	$5.80	$6.22	***$6.88***	***$9.65***
Shares[2]	347	342	328	320	318	315	308	304	296	290	***285***	***270***

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, the company has exhibited consistent progress over the long term. 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.

[1] Estimated date.

[2] In millions.

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.

Illinois Tool Works Inc. (ITW)

Updated October 30th, 2026 by Quinn Mohammed

We are using the midpoint of management's guidance, $11.50, along with an 8% expected annual growth rate over the intermediate term. This is slightly below 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	***24.2***	***23.5***
Avg. Yld.	2.2%	1.9%	2.4%	2.7%	2.4%	2.2%	2.2%	2.2%	2.2%	2.5%	***2.5%***	***2.4%***

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 23.5 is a fair starting point, considering the quality of the business and growth prospects. With shares currently trading at 24.2 times the midpoint of management's guidance, this implies the potential for a small 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%	***60%***	***57%***

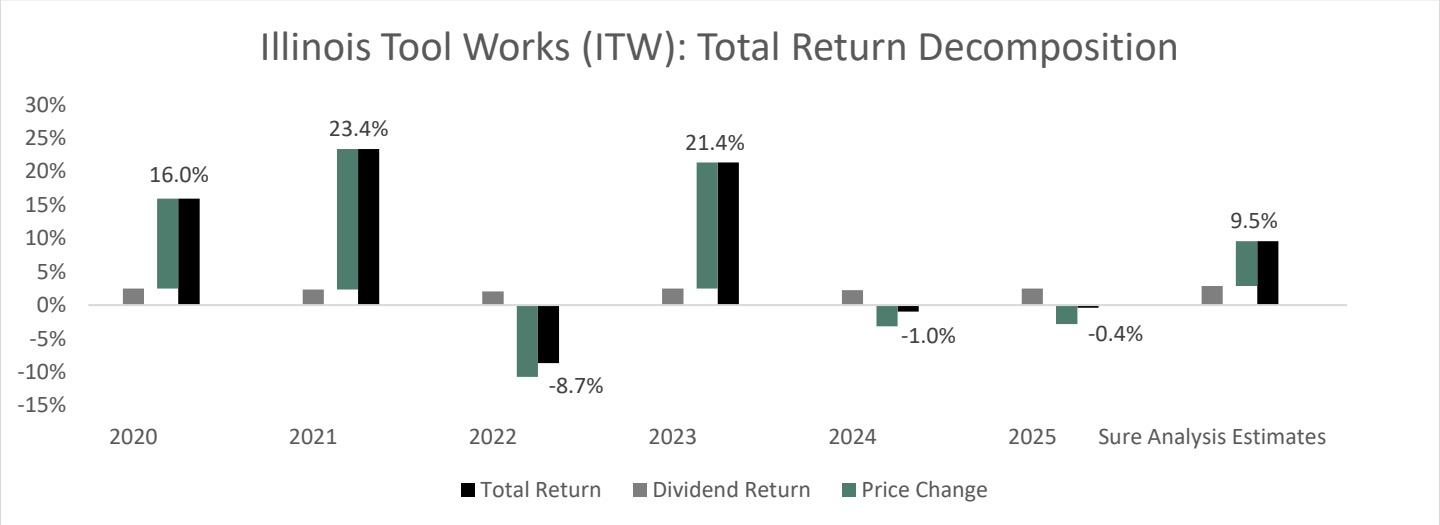
Illinois Tool Works has an excellent dividend growth history. Its payout ratio was relatively high during the last financial crisis, but the company was not forced to cut the payout. Today the dividend payout ratio sits at 60% of expected earnings, above the company's long-term target, meaning that future 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 jumped 13% year-to-date, slightly above the broader market's 11% 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 9.5% per annum, stemming from 8.0% annual EPS growth, and the 2.5% starting dividend yield, partly offset by 0.6% P/E multiple compression. ITW earns a 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.

Illinois Tool Works Inc. (ITW)

Updated October 30th, 2026 by Quinn Mohammed

Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	13599	14314	14768	14109	12570	14460	15932	16110	15900	16040
Gross Profit	5703	6005	6164	5922	5199	5966	6503	6791	7040	7,075
Gross Margin	41.9%	42.0%	41.7%	42.0%	41.4%	41.3%	40.8%	42.2%	44.3%	44.1%
SG&A Exp.	2415	2400	2391	2361	2163	2356	2579	2638	2675	2779
D&A Exp.	470	462	461	426	427	410	410	395	402	402
Operating Profit	3064	3399	3584	3402	2882	3477	3790	4040	4264	4,216
Op. Margin	22.5%	23.7%	24.3%	24.1%	22.9%	24.0%	23.8%	25.1%	26.8%	26.3%
Net Profit	2035	1687	2563	2521	2109	2694	3034	2957	3488	3,066
Net Margin	15.0%	11.8%	17.4%	17.9%	16.8%	18.6%	19.0%	18.4%	21.9%	19.1%
Free Cash Flow	2029	2105	2447	2669	2571	2261	1936	3084	2844	2,844
Income Tax	873	1583	831	767	595	632	808	866	934	900

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	15201	16780	14870	15068	15610	16080	15422	15520	15070	16,150
Cash & Equivalents	2472	3094	1504	1981	2564	1527	708	1065	948	851
Acc. Receivable	2357	2628	2622	2461	2506	2840	3171	3123	2991	3,227
Inventories	1076	1220	1318	1164	1189	1694	2054	1707	1605	1,659
Goodwill & Int.	6021	6024	5717	5343	5471	5937	5632	5566	5431	5,689
Total Liabilities	10942	12191	11612	12038	12430	12450	12333	12500	11750	12,920
Accounts Payable	511	590	524	472	534	585	594	581	519	522
Long-Term Debt	7829	8328	7380	7758	8122	7687	7763	8164	7863	6,683
Total Equity	4254	4585	3254	3026	3181	3625	3088	3012	3316	3,230
LTD/E Ratio	1.84	1.82	2.27	2.56	2.56	2.12	2.51	2.71	2.37	2.78

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	13.2%	10.6%	16.2%	16.8%	13.8%	17.0%	19.3%	19.1%	22.8%	19.6%
Return on Equity	42.9%	38.2%	65.4%	80.3%	68.0%	79.2%	90.4%	97.0%	110%	93.7%
ROIC	16.5%	13.5%	21.8%	23.5%	19.1%	23.8%	27.4%	26.9%	31.2%	26.0%
Shares Out.	347	342	328	320	318	316	311	304	298	292
Revenue/Share	38.08	41.27	43.81	43.33	39.5	45.69	51.28	53.05	53.38	54.89
FCF/Share	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

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.