

# ModernGraham Valuation

## Company Name:

Company Ticker ITW

Date of Analysis

10/2/2015

Illinois Tool Works  
Inc.



## Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

*Defensive Investor; must pass 6 out of the following 7 tests.*

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$30,587,233,803	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.56	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	73.17%	Pass
5. Earnings Growth			
6. Moderate PEmg Ratio	PEmg < 20	15.16	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	5.75	Fail

*Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.*

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	2.56	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.63	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

### Suitability

<b>Defensive</b>	<b>Yes</b>
<b>Enterprising</b>	<b>Yes</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$5.46
MG Growth Estimate	10.64%
<b>MG Value</b>	<b>\$162.56</b>
MG Value based on 3% Growth	\$79.17
MG Value based on 0% Growth	\$46.41
Market Implied Growth Rate	3.33%

### MG Opinion

Current Price	\$82.78
% of Intrinsic Value	50.92%
<b>Opinion</b>	<b>Undervalued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$10.89
Graham Number	\$40.48
PEmg	15.16
Current Ratio	2.56
PB Ratio	5.75
Dividend Yield	2.34%
Number of Consecutive Years of Dividend Growth	20

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.05	Next Fiscal Year Estimate	\$5.46
Dec14	\$7.28	Dec14	\$5.40
Dec13	\$3.74	Dec13	\$4.23
Dec12	\$6.06	Dec12	\$4.19
Dec11	\$4.19	Dec11	\$3.19
Dec10	\$3.03	Dec10	\$2.74
Dec09	\$1.89	Dec09	\$2.65
Dec08	\$2.91	Dec08	\$2.96
Dec07	\$3.36	Dec07	\$2.85
Dec06	\$3.01	Dec06	\$2.43
Dec05	\$2.60	Dec05	\$2.03
Dec04	\$2.20	Dec04	\$1.69
Dec03	\$1.66	Dec03	\$1.43
Dec02	\$1.16	Dec02	\$1.32
Dec01	\$1.32	Dec01	\$1.39
Dec00	\$1.58	Dec00	\$1.38
Dec99	\$1.38	Dec99	\$1.23
Dec98	\$1.34	<b>Balance Sheet Information Jun15</b>	
Dec97	\$1.17	Total Current Assets	\$7,033,000,000
Dec96	\$0.98	Total Current Liabilities	\$2,746,000,000
Dec95	\$0.82	Long-Term Debt	\$6,994,000,000
		Total Assets	\$16,348,000,000
		Intangible Assets	\$6,222,000,000
		Total Liabilities	\$11,046,000,000
		Shares Outstanding (Diluted Average)	368,400,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

## Recommended Reading:

Other  
ModernGraham  
posts about the  
company

[The 9 Best Stocks For Value Investors This Week – 7/18/15](#)  
[Illinois Tool Works Analysis – July 2015 Update \\$ITW](#)  
[24 Companies in the Spotlight This Week – 3/28/15](#)  
[Illinois Tool Works Inc. Quarterly Valuation – March 2015 \\$ITW](#)  
[15 Companies in the Spotlight This Week – 12/27/14](#)

Other  
ModernGraham  
posts about related  
companies

[3M Company Analysis – September 2015 Update \\$MMM](#)  
[Honeywell International Inc. Analysis – July 2015 Update \\$HON](#)  
[Raven Industries Inc. Analysis – Initial Coverage \\$RAVN](#)  
[Illinois Tool Works Analysis – July 2015 Update \\$ITW](#)  
[3M Company Quarterly Valuation – May 2015 \\$MMM](#)  
[Honeywell International Inc. Quarterly Valuation – May 2015 \\$HON](#)  
[Illinois Tool Works Inc. Quarterly Valuation – March 2015 \\$ITW](#)  
[General Electric Annual Valuation – 2015 \\$GE](#)  
[3M Company Quarterly Valuation – February 2015 \\$MMM](#)  
[Honeywell International Inc. Quarterly Valuation – January 2015 \\$HON](#)