

ModernGraham Valuation

Company Name:

Company Ticker ITW

Date of Analysis

Illinois Tool Works
Inc.

1/5/2016



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	\$33,099,560,030	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
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	73.49%	Pass
6. Moderate PEmg Ratio	PEmg < 20	16.40	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	6.48	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	1.65	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

Defensive	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.47
MG Growth Estimate	10.77%
MG Value	\$164.31
MG Value based on 3% Growth	\$79.32
MG Value based on 0% Growth	\$46.50
Market Implied Growth Rate	3.95%

MG Opinion

Current Price	\$89.73
% of Intrinsic Value	54.61%
Opinion	Undervalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$11.03
Graham Number	\$39.99
PEmg	16.40
Current Ratio	2.56
PB Ratio	6.48
Dividend Yield	2.23%
Number of Consecutive Years of Dividend Growth	20

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.08	Next Fiscal Year Estimate	\$5.47
Dec14	\$7.28	Dec14	\$5.39
Dec13	\$3.74	Dec13	\$4.23
Dec12	\$6.06	Dec12	\$4.18
Dec11	\$4.19	Dec11	\$3.18
Dec10	\$2.99	Dec10	\$2.73
Dec09	\$1.89	Dec09	\$2.65
Dec08	\$2.91	Dec08	\$2.96
Dec07	\$3.36	Dec07	\$2.85
Dec06	\$3.01	Dec06	\$2.44
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	\$1.33	Balance Sheet Information Sep15	
Dec97	\$1.14	Total Current Assets	\$6,969,000,000
Dec96	\$0.98	Total Current Liabilities	\$2,724,000,000
Dec95	\$0.82	Long-Term Debt	\$7,000,000,000
		Total Assets	\$16,104,000,000
		Intangible Assets	\$6,088,000,000
		Total Liabilities	\$11,018,000,000
		Shares Outstanding (Diluted Average)	367,100,000





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.

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[Illinois Tool Works Inc. Analysis – October 2015 Update \\$ITW](#)

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[E. I. Du Pont De Nemours and Company Quarterly Valuation – May 2015 \\$DD](#)

[Honeywell International Inc. Valuation – October 2015 Update \\$HON](#)

[Raven Industries Inc. Analysis – October 2015 Update \\$RAVN](#)

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[3M Company Analysis – September 2015 Update \\$MMM](#)

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