

ModernGraham Valuation

Company Name:

Company Ticker ITW
Date of Analysis

Illinois Tool Works
Inc.

7/6/2016



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	\$37,470,431,694	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.30	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	118.87%	Pass
6. Moderate PEmg Ratio	PEmg < 20	18.97	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	7.33	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	2.30	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.80	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	\$5.54
MG Growth Estimate	4.85%
MG Value	\$100.87
MG Value based on 3% Growth	\$80.38
MG Value based on 0% Growth	\$47.12
Market Implied Growth Rate	5.24%

MG Opinion

Current Price	\$105.17
% of Intrinsic Value	104.27%
Opinion	Fairly Valued
MG Grade	B+

Stage 3: Information for Further Research

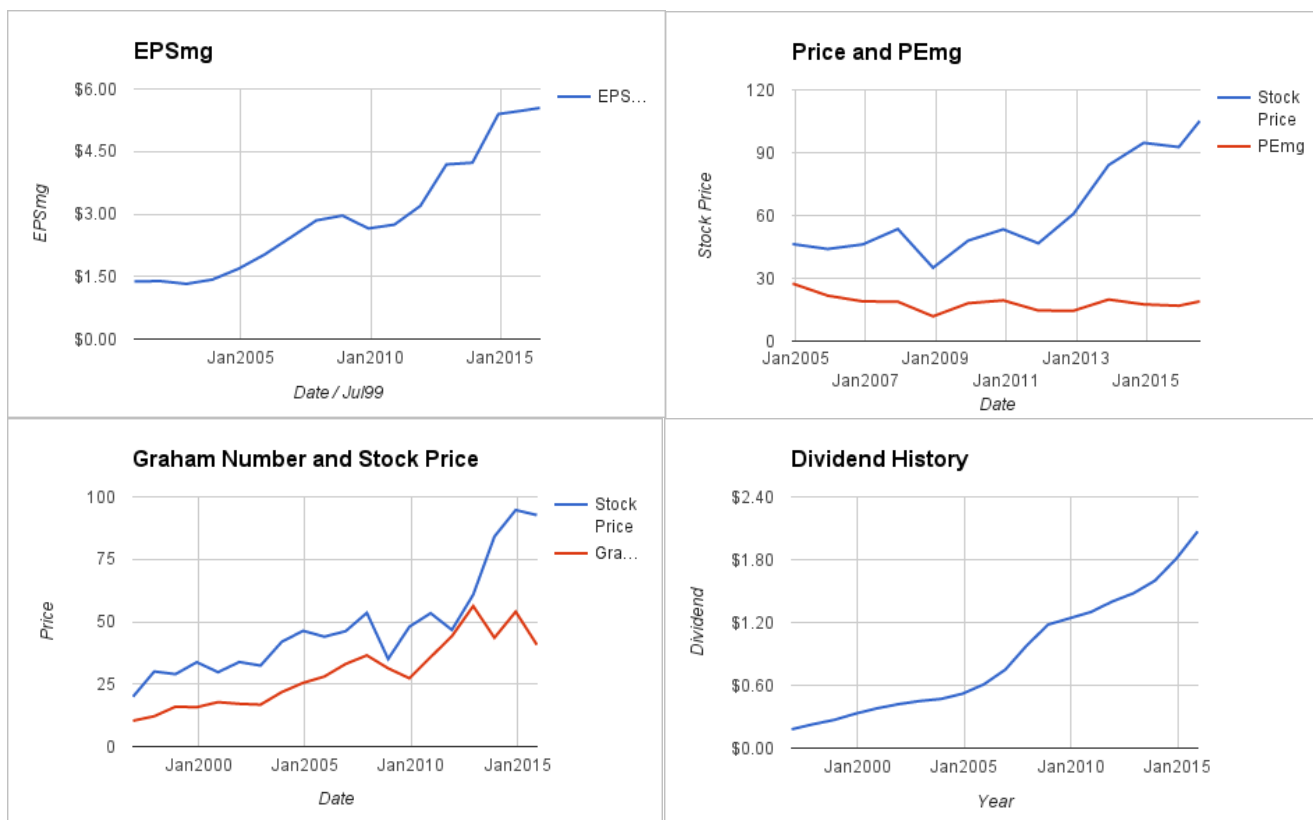
Net Current Asset Value (NCAV)	-\$10.93
Graham Number	\$42.20
PEmg	18.97
Current Ratio	2.30
PB Ratio	7.33
Current Dividend	\$2.14
Dividend Yield	2.03%
Number of Consecutive Years of Dividend Growth	20

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$5.45	Next Fiscal Year Estimate	\$5.54
Dec2015	\$5.13	Dec2015	\$5.49
Dec2014	\$7.28	Dec2014	\$5.40
Dec2013	\$3.74	Dec2013	\$4.23
Dec2012	\$6.06	Dec2012	\$4.19
Dec2011	\$4.19	Dec2011	\$3.19
Dec2010	\$3.03	Dec2010	\$2.74
Dec2009	\$1.89	Dec2009	\$2.65
Dec2008	\$2.91	Dec2008	\$2.96
Dec2007	\$3.36	Dec2007	\$2.85
Dec2006	\$3.01	Dec2006	\$2.43
Dec2005	\$2.60	Dec2005	\$2.03
Dec2004	\$2.20	Dec2004	\$1.69
Dec2003	\$1.66	Dec2003	\$1.43
Dec2002	\$1.16	Dec2002	\$1.32
Dec2001	\$1.32	Dec2001	\$1.39
Dec2000	\$1.58	Dec2000	\$1.38
Dec1999	\$1.38	Balance Sheet Information 3/1/2016	
Dec1998	\$1.34	Total Current Assets	\$6,241,000,000
Dec1997	\$1.17	Total Current Liabilities	\$2,716,000,000
Dec1996	\$0.98	Long-Term Debt	\$6,353,000,000
		Total Assets	\$15,437,000,000
		Intangible Assets	\$6,005,000,000
		Total Liabilities	\$10,219,000,000
		Shares Outstanding (Diluted Average)	363,900,000





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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