

ModernGraham Valuation

Illinois Tool Works
Inc.



Company Name:

Company Ticker ITW

Date of Analysis

8/13/2017

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	\$47,616,520,187	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.32	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	124.78%	Pass
5. Earnings Growth	PEmg < 20	23.09	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	10.08	Fail
7. Moderate Price to Assets			

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	2.32	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	1.97	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 Score		Pass

Suitability

Defensive	No
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$5.99
MG Growth Estimate	6.27%
MG Value	\$126.13
MG Value based on 3% Growth	\$86.89
MG Value based on 0% Growth	\$50.94
Market Implied Growth Rate	7.29%

MG Opinion

Current Price	\$138.36
% of Intrinsic Value	109.69%
Opinion	Fairly Valued
MG Grade	B

Stage 3: Information for Further Research

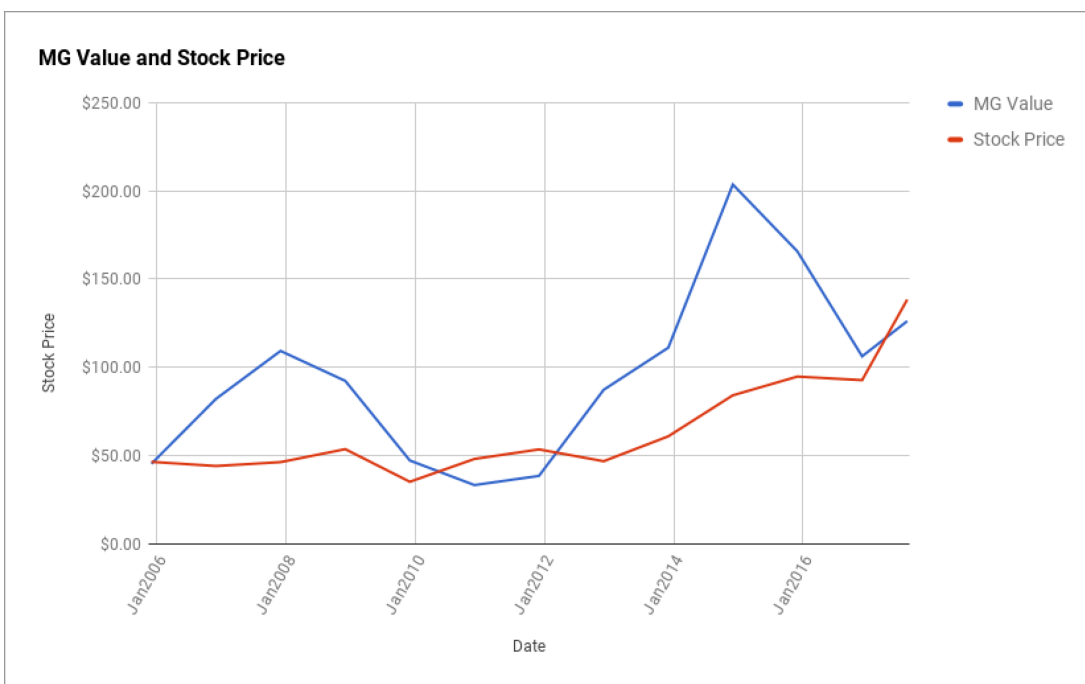
Net Current Asset Value (NCAV)	-\$13.18
Graham Number	\$42.93
PEmg	23.09
Current Ratio	2.32
PB Ratio	10.08
Current Dividend	\$2.40
Dividend Yield	1.73%
Number of Consecutive Years of Dividend Growth	20

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EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
Dec2016	\$6.68	Dec2016	\$5.99
Dec2015	\$5.70	Dec2015	\$5.63
Dec2014	\$5.13	Dec2014	\$5.49
Dec2013	\$7.28	Dec2013	\$5.39
Dec2012	\$3.74	Dec2012	\$4.23
Dec2011	\$6.06	Dec2011	\$4.18
Dec2010	\$4.19	Dec2010	\$3.18
Dec2009	\$2.99	Dec2009	\$2.73
Dec2008	\$1.89	Dec2008	\$2.65
Dec2007	\$2.91	Dec2007	\$2.96
Dec2006	\$3.36	Dec2006	\$2.85
Dec2005	\$3.01	Dec2005	\$2.44
Dec2004	\$2.60	Dec2004	\$2.03
Dec2003	\$2.20	Dec2003	\$1.69
Dec2002	\$1.66	Dec2002	\$1.43
Dec2001	\$1.16	Dec2001	\$1.32
Dec2000	\$1.32	Dec2000	\$1.39
Dec1999	\$1.58	Balance Sheet Information	
Dec1998	\$1.38	6/1/2017	
Dec1997	\$1.33	Total Current Assets	\$6,570,000,000
	\$1.14	Total Current Liabilities	\$2,826,000,000
		Long-Term Debt	\$7,360,000,000
		Total Assets	\$15,922,000,000
		Intangible Assets	\$6,041,000,000
		Total Liabilities	\$11,151,000,000
		Shares Outstanding (Diluted Average)	347,500,000





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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