

ModernGraham Valuation

Illinois Tool Works
Inc.



Company Name:

Company Ticker ITW

Date of Analysis

6/27/2018

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	\$47,579,820,675	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.20	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	100.22%	Pass
6. Moderate PEmg Ratio	PEmg < 20	22.96	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	11.61	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	2.20	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	\$6.14
MG Growth Estimate	2.07%
MG Value	\$77.60
MG Value based on 3% Growth	\$89.01
MG Value based on 0% Growth	\$52.18
Market Implied Growth Rate	7.23%

MG Opinion

Current Price	\$140.95
% of Intrinsic Value	181.63%
Opinion	Overvalued
MG Grade	B

Stage 3: Information for Further Research

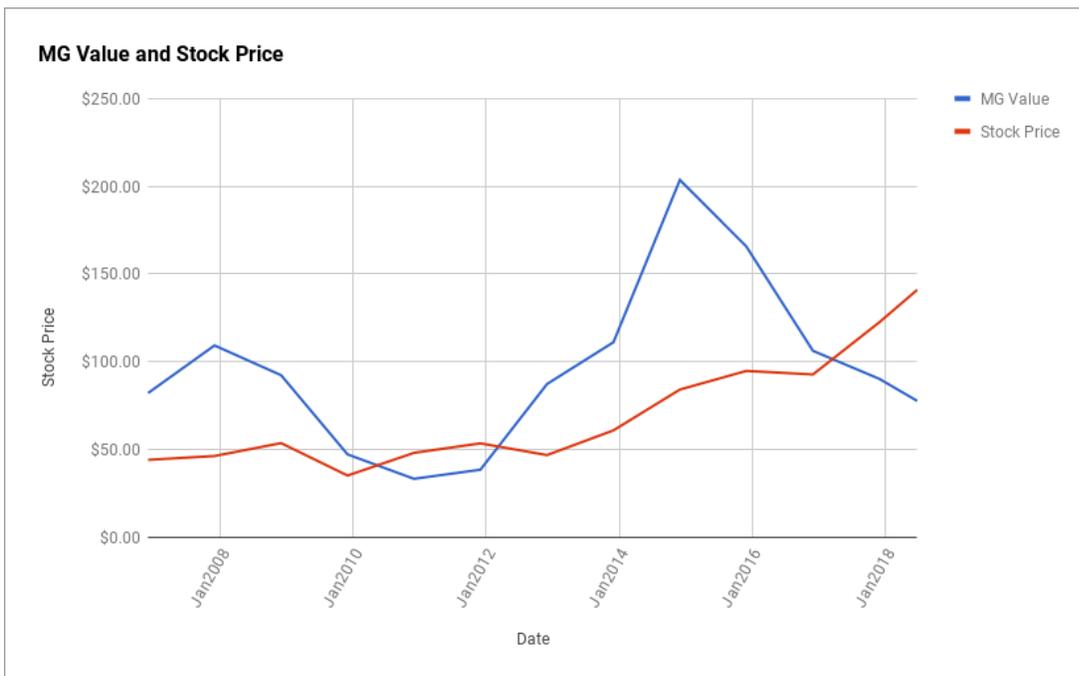
Net Current Asset Value (NCAV)	-\$16.27
Graham Number	\$47.91
PEmg	22.96
Current Ratio	2.20
PB Ratio	11.61
Current Dividend	\$2.86
Dividend Yield	2.03%
Number of Consecutive Years of Dividend Growth	20

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$7.60	Next Fiscal Year Estimate	\$6.14
Dec2017	\$4.86	Dec2017	\$5.39
Dec2016	\$5.70	Dec2016	\$5.63
Dec2015	\$5.13	Dec2015	\$5.49
Dec2014	\$7.28	Dec2014	\$5.39
Dec2013	\$3.74	Dec2013	\$4.23
Dec2012	\$6.06	Dec2012	\$4.18
Dec2011	\$4.19	Dec2011	\$3.18
Dec2010	\$2.99	Dec2010	\$2.73
Dec2009	\$1.89	Dec2009	\$2.65
Dec2008	\$2.91	Dec2008	\$2.96
Dec2007	\$3.36	Dec2007	\$2.85
Dec2006	\$3.01	Dec2006	\$2.44
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	Balance Sheet Information 3/1/2018	
Dec2000	\$1.58	Total Current Assets	\$6,423,000,000
Dec1999	\$1.38	Total Current Liabilities	\$2,925,000,000
Dec1998	\$1.33	Long-Term Debt	\$6,889,000,000
		Total Assets	\$16,163,000,000
		Intangible Assets	\$6,021,000,000
		Total Liabilities	\$12,000,000,000
		Shares Outstanding (Diluted Average)	342,800,000





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**
- [Best Dividend Paying Stocks for Dividend Growth Investors – August 2017](#)
 - [Illinois Tool Works Inc Valuation – August 2017 \\$ITW](#)
 - [9 Best Stocks For Value Investors This Week – 7/8/16](#)
 - [Illinois Tool Works Inc Valuation – July 2016 \\$ITW](#)
 - [Dividend Growth Stocks for Intelligent Investors – June 2016](#)

- Other ModernGraham posts about related companies**
- [General Electric Co Valuation – February 2018 \\$GE](#)
 - [3M Company Valuation – February 2018 \\$MMM](#)
 - [Raven Industries Inc Valuation – September 2017 \\$RAVN](#)
 - [Illinois Tool Works Inc Valuation – August 2017 \\$ITW](#)
 - [Honeywell International Inc Valuation – July 2017 \\$HON](#)
 - [Carlisle Companies Inc Valuation – Initial Coverage \\$CSL](#)
 - [ITT Inc Valuation – Initial Coverage \\$ITT](#)
 - [3M Co. Valuation – December 2016 \\$MMM](#)
 - [E I du Pont de Nemours & Co Valuation – August 2016 \\$DD](#)
 - [3M Company Valuation – August 2016 \\$MMM](#)