

REFINITIV

# DELTA REPORT

## 10-Q

ITW - ILLINOIS TOOL WORKS INC  
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	712
CHANGES	130
DELETIONS	238
ADDITIONS	344

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, June 30, 2024**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-4797

**ILLINOIS TOOL WORKS INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

**36-1258310**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

**155 Harlem Avenue Glenview IL**

**60025**

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number, including area code) **847-724-7500**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock	ITW	New York Stock Exchange
0.250% Euro Notes due 2024	ITW24A	New York Stock Exchange
0.625% Euro Notes due 2027	ITW27	New York Stock Exchange
<b>3.250% Euro Notes due 2028</b>	<b>ITW28</b>	<b>New York Stock Exchange</b>
2.125% Euro Notes due 2030	ITW30	New York Stock Exchange
1.00% Euro Notes due 2031	ITW31	<b>New York Stock Exchange</b>
<b>3.375% Euro Notes due 2032</b>	<b>ITW32</b>	New York Stock Exchange
3.00% Euro Notes due 2034	ITW34	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	<input checked="" type="checkbox"/> o
		Emerging growth company	<input checked="" type="checkbox"/> o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares of registrant's common stock, \$0.01 par value, outstanding at **March 31, 2024** **June 30, 2024**: **298.4** **296.9** million

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### PART I – FINANCIAL INFORMATION

#### ITEM 1. Financial Statements

##### Illinois Tool Works Inc. and Subsidiaries Statement of Income (Unaudited)

	Three Months Ended			Three Months Ended		Three Months Ended	Six Months Ended
			March 31,				
			June 30,			June 30,	
In millions except per share amounts	In millions except per share amounts	2024	2023	In millions except per share amounts	2024	2023	2024 2023
Operating Revenue							
Cost of revenue							
Selling, administrative, and research and development expenses							
Amortization and impairment of intangible assets							
Operating Income							
Interest expense							
Other income (expense)							
Income Before Taxes							
Income Taxes							
Net Income							
Net Income Per Share:							
Net Income Per Share:							
Net Income Per Share:							
Basic							
Basic							

Basic
Diluted
Shares of Common Stock Outstanding During the Period:
Shares of Common Stock Outstanding During the Period:
Shares of Common Stock Outstanding During the Period:
Average
Average
Average
Average assuming dilution

The Notes to Financial Statements are an integral part of this statement.

<div> <div>Illinois Tool Works Inc. and Subsidiaries</div> <div>Statement of Comprehensive Income (Unaudited)</div> <div> <div>Three Months Ended</div> <div>Three Months Ended</div> <div>Three Months Ended</div> <div>Six Months Ended</div> </div> </div>								
March 31,			June 30,			June 30,		
In millions	In millions	2024	2023	In millions	2024	2023	2024	2023
Net Income								
Foreign currency translation adjustments, net of tax								
Foreign currency translation adjustments, net of tax								
Foreign currency translation adjustments, net of tax								
Pension and other postretirement benefit adjustments, net of tax								
Other comprehensive income (loss)								
Comprehensive Income								
Comprehensive Income								
Comprehensive Income								

The Notes to Financial Statements are an integral part of this statement.

<div> <div>Illinois Tool Works Inc. and Subsidiaries</div> <div>Statement of Financial Position (Unaudited)</div> </div>						
In millions except per share amounts	In millions except per share amounts	March 31, 2024	December 31, 2023	In millions except per share amounts	June 30, 2024	December 31, 2023
Assets						
Current Assets:						
Current Assets:						
Current Assets:						
Cash and equivalents						
Cash and equivalents						
Cash and equivalents						
Trade receivables						
Inventories						
Prepaid expenses and other current assets						
Total current assets						
Net plant and equipment						
Net plant and equipment						
Net plant and equipment						
Goodwill						
Intangible assets						
Deferred income taxes						
Other assets						
		\$				

Liabilities and Stockholders' Equity

Liabilities and Stockholders' Equity

Liabilities and Stockholders' Equity

Current Liabilities:	
Current Liabilities:	
Current Liabilities:	
Short-term debt	
Short-term debt	
Short-term debt	
Accounts payable	
Accrued expenses	
Cash dividends payable	
Income taxes payable	
Total current liabilities	
Noncurrent Liabilities:	
Noncurrent Liabilities:	
Noncurrent Liabilities:	
Long-term debt	
Long-term debt	
Long-term debt	
Deferred income taxes	
Noncurrent income taxes payable	
Other liabilities	
Total noncurrent liabilities	
Stockholders' Equity:	
Stockholders' Equity:	
Stockholders' Equity:	
Common stock (Authorized- 700.0 shares; par value of \$0.01 per share):	
Common stock (Authorized- 700.0 shares; par value of \$0.01 per share):	
Common stock (Authorized- 700.0 shares; par value of \$0.01 per share):	
Issued- 550.0 shares in 2024 and 2023	
Outstanding- 298.4 shares in 2024 and 299.3 shares in 2023	
Issued- 550.0 shares in 2024 and 2023	
Outstanding- 298.4 shares in 2024 and 299.3 shares in 2023	
Issued- 550.0 shares in 2024 and 2023	
Outstanding- 298.4 shares in 2024 and 299.3 shares in 2023	
Issued- 550.0 shares in 2024 and 2023	
Outstanding- 296.9 shares in 2024 and 299.3 shares in 2023	
Issued- 550.0 shares in 2024 and 2023	
Outstanding- 296.9 shares in 2024 and 299.3 shares in 2023	
Issued- 550.0 shares in 2024 and 2023	
Outstanding- 296.9 shares in 2024 and 299.3 shares in 2023	
Additional paid-in-capital	
Retained earnings	
Common stock held in treasury	
Accumulated other comprehensive income (loss)	
Noncontrolling interest	
Total stockholders' equity	
	\$

The Notes to Financial Statements are an integral part of this statement.

Illinois Tool Works Inc. and Subsidiaries

# Statement of Changes in Stockholders' Equity (Unaudited)

In millions except per share amounts	In millions except per share amounts	In millions except per share amounts						In millions except per share amounts	In millions except per share amounts						In millions except per share amounts	In millions except per share amounts					
		Common Stock	Additional Paid-in Capital	Retained Earnings	Common Stock Held in Treasury	Accumulated Comprehensive Income (Loss)	Other Non-controlling Interest		Common Stock	Additional Paid-in Capital	Retained Earnings	Common Stock Held in Treasury	Accumulated Comprehensive Income (Loss)	Other Non-controlling Interest		Common Stock	Additional Paid-in Capital	Retained Earnings	Common Stock Held in Treasury	Accumulated Comprehensive Income (Loss)	Other Non-controlling Interest
Three Months Ended March 31, 2024																					
Three Months Ended March 31, 2024																					
Three Months Ended March 31, 2024																					
Balance at December 31, 2023																					
Three Months Ended June 30, 2024																					
Three Months Ended June 30, 2024																					
Three Months Ended June 30, 2024																					
Balance at March 31, 2024																					
Net income																					
Common stock issued for stock-based compensation																					
Stock-based compensation expense																					
Repurchases of common stock																					
Excise tax on repurchases of common stock																					
Dividends declared (\$1.40 per share)																					
Other comprehensive income (loss)																					
Balance at March 31, 2024																					
Balance at March 31, 2024																					
Balance at March 31, 2024																					
Balance at June 30, 2024																					
Balance at June 30, 2024																					
Balance at June 30, 2024																					
Three Months Ended March 31, 2023																					
Three Months Ended March 31, 2023																					
Three Months Ended March 31, 2023																					
Balance at December 31, 2022																					
Three Months Ended June 30, 2023																					
Three Months Ended June 30, 2023																					
Three Months Ended June 30, 2023																					
Balance at March 31, 2023																					
Net income																					
Common stock issued for stock-based compensation																					

Stock-based  
compensation  
expense

Repurchases of  
common stock

Excise tax on  
repurchases of  
common stock

Dividends declared  
(\$1.31 per share)

Other  
comprehensive  
income (loss)

Balance at March 31, 2023

Balance at March 31, 2023

Balance at March 31, 2023

Balance at June 30, 2023

Balance at June 30, 2023

Balance at June 30, 2023

Six Months Ended June 30, 2024

Six Months Ended June 30, 2024

Six Months Ended June 30, 2024

Balance at December  
31, 2023

Net income

Common stock  
issued for stock-  
based  
compensation

Stock-based  
compensation  
expense

Repurchases of  
common stock

Excise tax on  
repurchases of  
common stock

Dividends declared  
(\$2.80 per share)

Other  
comprehensive  
income (loss)

Balance at June 30, 2024

Balance at June 30, 2024

Balance at June 30, 2024

Six Months Ended June 30, 2023

Six Months Ended June 30, 2023

Six Months Ended June 30, 2023

Balance at December  
31, 2022

Net income

Common stock  
issued for stock-  
based  
compensation

Stock-based compensation expense
Repurchases of common stock
Excise tax on repurchases of common stock
Dividends declared (\$2.62 per share)
Other comprehensive income (loss)
Balance at June 30, 2023
Balance at June 30, 2023
Balance at June 30, 2023

The Notes to Financial Statements are an integral part of this statement.

<div> <div>Illinois Tool Works Inc. and Subsidiaries</div> <div>Statement of Cash Flows (Unaudited)</div> </div>					
		Three Months Ended		Six Months Ended	
		March 31,		June 30,	
In millions	In millions	2024	2023	In millions	2024 2023
Cash Provided by (Used for) Operating Activities:					
Net income					
Net income					
Net income					
Adjustments to reconcile net income to cash provided by operating activities:	Adjustments to reconcile net income to cash provided by operating activities:			Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation					
Amortization and impairment of intangible assets					
Change in deferred income taxes					
Net provision for (recoveries of) uncollectible accounts					
(Income) loss from investments					
(Gain) loss on sale of plant and equipment					
Stock-based compensation expense					
Stock-based compensation expense					
Stock-based compensation expense					
Cumulative effect of change in inventory accounting method					
Other non-cash items, net					
Change in assets and liabilities, net of acquisitions and divestitures:	Change in assets and liabilities, net of acquisitions and divestitures:			Change in assets and liabilities, net of acquisitions and divestitures:	
(Increase) decrease in-	(Increase) decrease in-			(Increase) decrease in-	
Trade receivables					
Inventories					
Prepaid expenses and other assets					
Increase (decrease) in-	Increase (decrease) in-			Increase (decrease) in-	
Accounts payable					
Accrued expenses and other liabilities					
Income taxes					
Other, net					



Net cash provided by operating activities		
Cash Provided by (Used for) Investing Activities:	Cash Provided by (Used for) Investing Activities:	Cash Provided by (Used for) Investing Activities:
Acquisition of businesses (excluding cash and equivalents)		
Additions to plant and equipment		
Proceeds from investments		
Proceeds from sale of plant and equipment		
Proceeds from sales of operations and affiliates		
Other, net		
Net cash provided by (used for) investing activities		
Cash Provided by (Used for) Financing Activities:	Cash Provided by (Used for) Financing Activities:	Cash Provided by (Used for) Financing Activities:
Cash dividends paid		
Issuance of common stock		
Repurchases of common stock		
Net proceeds from (repayments of) debt with original maturities of three months or less		
Repayments of debt with original maturities of more than three months		
Repayments of debt with original maturities of more than three months		
Proceeds from debt with original maturities of more than three months		
Repayments of debt with original maturities of more than three months		
Other, net		
Net cash provided by (used for) financing activities		
Effect of Exchange Rate Changes on Cash and Equivalents		
Cash and Equivalents:	Cash and Equivalents:	Cash and Equivalents:
Increase (decrease) during the period		
Beginning of period		
End of period		
Supplementary Cash Flow Information:		
Cash Paid During the Period for Interest		
Cash Paid During the Period for Interest		
Cash Paid During the Period for Interest		
Cash Paid During the Period for Income Taxes, Net of Refunds		

*The Notes to Financial Statements are an integral part of this statement.*

**Illinois Tool Works Inc. and Subsidiaries**  
**Notes to Financial Statements (Unaudited)**

**(1) Significant Accounting Policies**

**Financial Statements**— The unaudited financial statements included herein have been prepared by Illinois Tool Works Inc. and Subsidiaries (the "Company"). In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of the results for interim periods. Interim results are not necessarily indicative of results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and notes to financial statements included in the Company's 2023 Annual Report on Form 10-K. Certain reclassifications of prior year data have been made to conform with current year reporting.

**Inventories**— Inventories are stated at the lower of cost or net realizable value and include material, labor and factory overhead. As of December 31, 2023, the last-in, first-out ("LIFO") method was used to determine the cost of inventories at certain U.S. businesses representing approximately 23% of total inventories, and the first-in, first-out ("FIFO") method, which approximates current cost, was used for all other inventories. During the first quarter of 2024, the Company changed the method used to determine the cost of

inventory at certain U.S. businesses from LIFO to the FIFO method, as the Company believes the FIFO method is preferable because it provides a more consistent method for valuing inventory across the Company's operations, improves comparability with peers, and better reflects the current value of inventories at the balance sheet date.

The LIFO provision for the years ended December 31, 2023 and 2022 was \$6 million of expense and \$7 million of income, respectively, and was not material to the Company's results of operations, financial position or cash flows. Therefore, the Company **has** recorded the pre-tax cumulative effect of this change in accounting method of \$117 million as a reduction of Cost of revenue in the first quarter of 2024. Refer to Note 7. Inventories for additional information regarding the Company's inventory balances.

New Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance which expands annual and interim disclosure requirements for reportable segments. The more significant provisions include the requirement to disclose significant segment expenses and certain disclosures made annually under existing guidance will be required for interim periods. The guidance is effective for the Company beginning with its annual reporting for the year **ended ending** December 31, 2024 and is required to be applied retrospectively to all periods presented. The Company is currently assessing the impact the guidance will have on its disclosures.

In December 2023, the FASB issued authoritative guidance that expands the disclosure requirements for income taxes. The new guidance will require consistent categories and greater disaggregation of information presented in the effective tax rate reconciliation as well as disaggregation of income taxes paid by jurisdiction. The guidance is effective for the Company beginning with its annual reporting for the year **ended ending** December 31, 2025 and is required to be applied prospectively, with retrospective application to prior periods allowed. The Company is currently assessing the impact the guidance will have on its disclosures.

(2) Acquisitions

On January 2, 2024, the Company completed the acquisition of one business in the Test & Measurement and Electronics segment for \$57 million, net of cash acquired. **This On April 1, 2024, the Company completed the acquisition was of one business in the Test & Measurement and Electronics segment for \$59 million, net of cash acquired. The purchase price for both acquisitions is subject to certain closing adjustments. These acquisitions were not material, individually or in the aggregate, to the Company's results of operations, financial position or cash flows. The allocation of purchase price for these acquisitions will be completed as soon as practicable, but no later than one year from the acquisition date.**

(3) Divestitures

The Company routinely reviews its portfolio of businesses relative to its business portfolio criteria and evaluates if further portfolio refinements may be needed. As such, the Company may commit to a plan to exit or dispose of certain businesses and present them as held for sale in periods prior to the sale of the business.

In the fourth quarter of 2022, plans were approved to divest one business in the Specialty Products segment. This business was presented as held for sale beginning in the fourth quarter of 2022. This business was sold on April 3, 2023, with no significant gain or loss upon sale. Operating revenue related to this business that was included in the Company's results of operations was \$9 million for the **six months ended June 30, 2023. There was no operating revenue related to this business included in the Company's results of operations for the three months ended March 31, 2023 June 30, 2023.**

(4) Operating Revenue

The Company's 84 diversified operating divisions are organized and managed based on similar product offerings and end markets, and are reported to senior management as the following seven segments: Automotive OEM; Food Equipment; Test & Measurement and Electronics; Welding; Polymers & Fluids; Construction Products; and Specialty Products. Operating revenue by product category, which is consistent with the Company's segment presentation, for the three **and six** months ended **March 31, 2024 June 30, 2024** and 2023 was as follows:

	Three Months Ended			Three Months Ended			Three Months Ended			Six Months Ended	
			March 31,				June 30,				
In millions	In millions	2024	2023	In millions	2024	2023		2024			2023
Automotive OEM											
Food Equipment											
Test & Measurement and Electronics											
Welding											
Polymers & Fluids											
Construction Products											
Specialty Products											
Total segments											
Intersegment revenue											
Total operating revenue											

The following is a description of the product offerings, end markets and typical revenue transactions for each of the Company's seven segments:

**Automotive OEM**— This segment is a global, niche supplier to top tier OEMs, providing unique innovation to address pain points for sophisticated customers with complex problems. Businesses in this segment produce components and fasteners for automotive-related applications. This segment primarily serves the automotive original equipment manufacturers and tiers market. Products in this segment include:

- plastic and metal components, fasteners and assemblies for automobiles, light trucks and other industrial uses.

Products sold in this segment are primarily manufactured to the customer's specifications and are sold under long-term supply agreements with OEM auto manufacturers and other top tier auto parts suppliers. The Company typically recognizes revenue for products in this segment at the time of shipment. Certain products may be produced utilizing tooling that is owned by the customer that the Company developed and is reimbursed by the customer for the associated cost. In these arrangements, the Company typically retains a contractual right to use the customer-owned tooling for the purpose of fulfilling its obligations under the supply agreement. The Company records reimbursements for the cost of customer-owned tooling as a cost offset rather than operating revenue as tooling is not considered a product offering central to the Company's operations.

**Food Equipment**— This segment is a highly focused and branded industry leader in commercial food equipment differentiated by innovation and integrated service offerings. This segment primarily serves the food service, food retail and food institutional/restaurant markets. Products in this segment include:

- warewashing equipment;
- cooking equipment, including ovens, ranges and broilers;
- refrigeration equipment, including refrigerators, freezers and prep tables;
- food processing equipment, including slicers, mixers and scales;
- kitchen exhaust, ventilation and pollution control systems; and
- food equipment service, maintenance and repair.

Revenue for equipment sold in this segment is typically recognized at the time of product shipment. In limited circumstances involving installation of equipment and customer acceptance, the Company may recognize revenue upon completion of installation and acceptance by the customer. Annual service contracts are typically sold separate from equipment and the related revenue is recognized on a straight-line basis over the annual service period. Operating revenue for on-demand service repairs and parts is recorded upon completion and customer acceptance of the work performed.

**Test & Measurement and Electronics**— This segment is a branded and innovative producer of test and measurement and electronic manufacturing and maintenance, repair, and operations, or "MRO" solutions that improve efficiency and quality for customers in diverse end markets. Businesses in this segment produce equipment, consumables, and related software for testing and measuring of materials and structures, as well as equipment and consumables used in the production of electronic subassemblies and microelectronics. This segment primarily serves the electronics, general industrial, energy, automotive original equipment manufacturers and tiers, industrial capital goods and consumer durables markets. Products in this segment include:

- equipment, consumables, and related software for testing and measuring of materials, structures, gases and fluids;
- electronic assembly equipment;
- electronic components and component packaging;
- static control equipment and consumables used for contamination control in clean room environments; and
- pressure sensitive adhesives and components for electronics, medical, transportation and telecommunications applications.

Revenue for products sold in this segment is typically recognized at the time of shipment. In limited circumstances where significant obligations to the customer are unfulfilled at the time of shipment, typically involving installation of equipment and customer acceptance, revenue recognition is deferred until such obligations have been completed. In other limited arrangements involving the sale of highly specialized systems that include a high degree of customization and installation at the customer site, revenue is recognized over time if the product does not have an alternative use and the Company has an enforceable right to payment for work performed to date. Revenue for transactions meeting these criteria is recognized over time as work is performed based on the costs incurred to date relative to the total estimated costs at completion.

**Welding**— This segment is a branded value-added equipment and specialty consumable manufacturer with innovative and leading technology. Businesses in this segment produce arc welding equipment, consumables and accessories for a wide array of industrial and commercial applications. This segment primarily serves the general industrial market, which includes fabrication, shipbuilding and other general industrial markets, and construction, energy, MRO, industrial capital goods and automotive original equipment manufacturers and tiers markets. Products in this segment include:

- arc welding equipment; and
- metal arc welding consumables and related accessories.

Products in this segment are primarily manufactured to meet anticipated customer demand. The Company typically recognizes revenue for these products at the time of product shipment.

**Polymers & Fluids**— This segment is a branded supplier to niche markets that require value-added, differentiated products. Businesses in this segment produce engineered adhesives, sealants, lubrication and cutting fluids, and fluids and polymers for auto aftermarket maintenance and appearance. This segment primarily serves the automotive aftermarket, general industrial and MRO markets. Products in this segment include:

- adhesives for industrial, construction and consumer purposes;
- chemical fluids which clean or add lubrication to machines;
- epoxy and resin-based coating products for industrial applications;
- hand wipes and cleaners for industrial applications;
- fluids, polymers and other supplies for auto aftermarket maintenance and appearance;
- fillers and putties for auto body repair; and

- polyester coatings and patch and repair products for the marine industry.

Products in this segment are primarily manufactured to meet anticipated customer demand. The Company typically recognizes revenue for these products at the time of product shipment.

**Construction Products**— This segment is a branded supplier of innovative engineered fastening systems and solutions. This segment primarily serves the residential construction, renovation/remodel and commercial construction markets. Products in this segment include:

- fasteners and related fastening tools for wood and metal applications;
- anchors, fasteners and related tools for concrete applications;
- metal plate truss components and related equipment and software; and
- packaged hardware, fasteners, anchors and other products for retail.

Products in this segment are primarily manufactured to meet anticipated customer demand. The Company typically recognizes revenue for these products at the time of product shipment.

**Specialty Products**— This segment is focused on diversified niche market opportunities with substantial patent protection producing beverage packaging equipment and consumables, product coding and marking equipment and consumables, and appliance components and fasteners. This segment primarily serves the food and beverage, consumer durables, general industrial, industrial capital goods, airlines and printing and publishing markets. Products in this segment include:

- conveyor systems and line automation for the food and beverage industries;
- plastic consumables that multi-pack cans and bottles and related equipment;
- foil, film and related equipment used to decorate consumer products;
- product coding and marking equipment and related consumables;
- plastic and metal closures and components for appliances;
- airport ground support equipment; and
- components for medical devices.

Products in this segment are primarily manufactured to meet anticipated customer demand. The Company typically recognizes revenue for these products at the time of product shipment. In limited circumstances where significant obligations to the customer are unfulfilled at the time of shipment, typically involving installation of equipment and customer acceptance, revenue is recognized when such obligations have been completed.

(5) Income Taxes

The Company's effective tax rate for the three months ended **March 31, 2024** **June 30, 2024** and 2023 was **23.6%** **24.4%** and **22.6%** **21.4%**, respectively, and **24.0%** and **22.0%** for the six months ended **June 30, 2024** and 2023, respectively. The effective tax rates for 2024 and 2023 included discrete income tax benefits related to excess tax benefits from stock-based compensation of **\$9** **\$1** million and **\$13** **\$4** million for the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively, and **\$10** million and **\$17** million for the six months ended **June 30, 2024** and 2023, respectively. Additionally, the effective tax rate for the three and six months ended **June 30, 2023** included a discrete income tax benefit of **\$20** million in second quarter of 2023 related to amended 2021 U.S. taxes.

The Company and its subsidiaries file tax returns in the U.S. and various state, local and foreign jurisdictions. These tax returns are routinely audited by the tax authorities in these jurisdictions, including the Internal Revenue Service, His Majesty's Revenue and Customs, German Fiscal Authority, French Fiscal Authority, and Australian Tax Office, and a number of these audits are currently ongoing, which may increase the amount of the unrecognized tax benefits in future periods. The Company believes it is reasonably possible that within the next twelve months the amount of the Company's unrecognized tax benefits may be decreased by approximately **\$9** million related predominantly to the potential resolution of income tax examinations. The Company has recorded its best estimate of the potential exposure for these issues.

(6) Net Income Per Share

Net income per basic share is computed by dividing net income by the weighted-average number of shares outstanding for the period. Net income per diluted share is computed by dividing net income by the weighted-average number of shares assuming dilution for stock options and restricted stock units. Dilutive shares reflect the potential additional shares that would be outstanding if the dilutive stock options outstanding were exercised and the unvested restricted stock units vested during the period. The computation of net income per share for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 was as follows:

	Three Months Ended			Three Months Ended			Three Months Ended			Six Months Ended	
			March 31,				June 30,				
	In millions except per share amounts	2024	2023	In millions except per share amounts	2024	2023		2024			2023
In millions except per share amounts											
Net Income											
Net income per share—Basic:											
Weighted-average common shares											

Weighted-average common shares
Weighted-average common shares
Net income per share—Basic
Net income per share—Diluted:
Weighted-average common shares
Weighted-average common shares
Weighted-average common shares
Effect of dilutive stock options and restricted stock units
Weighted-average common shares assuming dilution
Net income per share—Diluted

Options that were considered antidilutive were not included in the computation of diluted net income per share. There were 0.2 million and 0.3 million antidilutive options outstanding for the three months ended **March 31, 2024** **June 30, 2024** and 2023, respectively, and 0.2 million and 0.3 million antidilutive options outstanding for the six months ended **June 30, 2024** and 2023, respectively.

## (7) Inventories

Inventories as of **March 31, 2024** **June 30, 2024** and December 31, 2023 were as follows:

In millions	In millions	March 31, 2024	December 31, 2023	In millions	June 30, 2024	December 31, 2023
Raw material						
Work-in-process						
Finished goods						
LIFO reserve						
Total inventories						

During the first quarter of 2024, the Company changed the method used to determine the cost of inventory at certain U.S. businesses from LIFO to the FIFO method, as the Company believes the FIFO method is preferable because it provides a more consistent method for valuing inventory across the Company's operations, improves comparability with peers, and better reflects the current value of inventories at the balance sheet date. Refer to Note 1. Significant Accounting Policies for additional information regarding this change in accounting method.

## (8) Pension and Other Postretirement Benefits

Pension and other postretirement benefit costs for the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023 were as follows:

In millions	Three Months Ended				Three Months Ended				Three Months Ended				Six Months Ended			
	March 31,				June 30,											
	Pension		Pension		Other Postretirement Benefits		Pension		Other Postretirement Benefits		Pension		Other Postretirement Benefits			
	In millions	2024	2023	2024	In millions	2024	2023	2024		2023	2024	2023		2024	2023	
Components of net periodic benefit cost:																
Service cost																
Service cost																
Service cost																
Interest cost																
Expected return on plan assets																
Amortization of actuarial loss (gain)																
Total net periodic benefit cost (income)																
Total net periodic benefit cost (income)																
Total net periodic benefit cost (income)																

The service cost component of net periodic benefit cost is presented within Cost of revenue and Selling, administrative, and research and development expenses in the Statement of Income while the other components of net periodic benefit cost are presented within Other income (expense).

The Company expects to contribute approximately \$60 million to its pension plans and \$37 million to its other postretirement benefit plans in 2024. As of March 31, 2024 June 30, 2024, contributions of \$32 million \$35 million to pension plans and \$10 million \$19 million to other postretirement benefit plans have been made.

## (9) Debt

Total debt as of March 31, 2024 June 30, 2024 and December 31, 2023 was as follows:

In millions	In millions	March 31, 2024	December 31, 2023	In millions	June 30, 2024	December 31, 2023
Short-term debt						
Long-term debt						
Total debt						

Short-term debt included commercial paper of \$1.4 billion \$599 million and \$464 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively. The weighted-average interest rate on commercial paper as of March 31, 2024 June 30, 2024 and December 31, 2023 was 5.38% and 5.40% for both periods, respectively. Short-term debt also included \$647 \$642 million as of March 31, 2024 June 30, 2024 and \$661 million as of December 31, 2023 related to the 0.25% Euro notes due December 5, 2024, which were reclassified from Long-term debt to Short-term debt in the fourth quarter of 2023. Short-term debt as of June 30, 2024 also included \$803 million related to the Euro-denominated credit agreement (the "Euro Credit Agreement") entered into on May 5, 2023, which was reclassified to Short-term debt in the second quarter of 2024 since the debt, including the options to extend the termination date, is due in April 2025. Additionally, Short-term debt as of December 31, 2023 included \$700 million related to the 3.50% notes due March 1, 2024, which were repaid on the due date.

On May 5, 2023, the Company entered into a €1.3 billion Euro-denominated credit agreement (the "Euro Euro Credit Agreement") Agreement with an initial termination date of May 3, 2024; provided, however, that the Company may extend the termination date by six months on up to two occasions. On May 12, 2023, the Company borrowed €1.3 billion of Euro term loans under the Euro Credit Agreement. Proceeds from the borrowing were used for general corporate purposes, including the repayment of outstanding debt. Any loan under the Euro Credit Agreement may not be re-borrowed once repaid, in full or in part, and will bear interest at a per annum rate equal to the applicable EURIBOR (adjusted for any statutory reserves) plus 0.75% for the interest period selected by the Company of one, three or six months. As of March 31, 2024 December 31, 2023, the Company had €1.3 billion outstanding under the Euro Credit Agreement, with an interest rate of 4.61%, which was included in Long-term debt as the Company exercised its first option during the first quarter of 2024 and intends intended to exercise its second options to extend the termination date. The first option to extend the termination date, date was exercised in the first quarter of 2024. On May 22, 2024, the Company repaid €550 million of the term loans under the Euro Credit Agreement using a portion of the proceeds from the Euro notes issued on

May 17, 2024, as discussed below. As of June 30, 2024, the Company had €750 million remaining outstanding under the Euro Credit Agreement with an interest rate of 4.35%.

On May 17, 2024, the Company issued €650 million of 3.25% Euro notes due May 17, 2028 at 99.525% of face value and €850 million of 3.375% Euro notes due May 17, 2032 at 99.072% of face value. Proceeds from the issuance were used for general corporate purposes, including the repayment of a portion of the indebtedness under the commercial paper program and the Euro Credit Agreement.

The Company designated the outstanding balance of the term loan under the Euro Credit Agreement in May 2023 and the €1.5 billion of Euro notes issued in May 2024 as hedges of a portion of its net investment in Euro-denominated foreign operations to reduce foreign currency risk associated with the investment in these operations. Refer to Note 10. Accumulated Other Comprehensive Income (Loss) for additional information regarding the net investment hedge.

The Company also has a \$3.0 billion revolving credit facility with a termination date of October 21, 2027, which is available to provide additional liquidity, including to support the potential issuances of commercial paper. No amounts were outstanding under the revolving credit facility as of March 31, 2024 June 30, 2024 or December 31, 2023.

The approximate fair value and related carrying value of the Company's total long-term debt, including current maturities of long-term debt presented as short-term debt, as of March 31, 2024 June 30, 2024 and December 31, 2023 were as follows:

In millions	In millions	March 31, 2024	December 31, 2023	In millions	June 30, 2024	December 31, 2023
Fair value						
Carrying value						

The approximate fair values of the Company's long-term debt, including current maturities, were based on a valuation model using Level 2 observable inputs which included market rates for comparable instruments for the respective periods.

## (10) Accumulated Other Comprehensive Income (Loss)

The following table summarizes changes in Accumulated other comprehensive income (loss) for the three and six months ended March 31, 2024 June 30, 2024 and 2023:

Three Months Ended	Three Months Ended	Three Months Ended	Six Months Ended
March 31,			

				June 30,		June 30,			
In millions	In millions	2024	2023	In millions	2024	2023		2024	2023
Beginning balance									
Foreign currency translation adjustments during the period									
Foreign currency translation adjustments during the period									
Foreign currency translation adjustments during the period									
Income taxes									
Income taxes									
Income taxes									
Total foreign currency translation adjustments, net of tax									
Pension and other postretirement benefit adjustments reclassified to income									
Pension and other postretirement benefit adjustments reclassified to income									
Pension and other postretirement benefit adjustments reclassified to income									
Income taxes									
Total pension and other postretirement benefit adjustments, net of tax									
Ending balance									
Ending balance									
Ending balance									

Pension and other postretirement benefit adjustments reclassified to income related primarily to the amortization of actuarial gains and losses. Refer to Note 8. Pension and Other Postretirement Benefits for additional information.

The Company designated the €1.0 billion of Euro notes issued in May 2014, the €1.0 billion of Euro notes issued in May 2015, the €1.6 billion of Euro notes issued in June 2019, and the €1.3 billion term loan under the Euro Credit Agreement in May 2023 and the €1.5 billion of Euro notes issued in May 2024 as hedges of a portion of its net investment in Euro-denominated foreign operations to reduce foreign currency risk associated with the investment in these operations. Changes in the value of this debt resulting from fluctuations in the Euro to U.S. Dollar exchange rate have been recorded as foreign currency translation adjustments within Accumulated other comprehensive income (loss). On February 22, 2022, €500 million of the Euro notes issued in May 2014 were redeemed in full and on May 22, 2023, €500 million of the Euro notes issued in May 2015 were repaid on the due date. On May 22, 2024, the Company repaid €550 million of the term loans under the Euro Credit Agreement. The carrying values of the outstanding 2024, 2019, 2015 and 2014 Euro notes and 2023 Euro term loan as of March 31, 2024 June 30, 2024 were \$1.6 billion, \$1.7 billion, \$536 million \$532 million, \$530 million \$527 million, and \$1.4 billion, \$803 million, respectively. The amount of pre-tax gain (loss) related to this debt recorded in Other comprehensive income (loss) was a gain of \$97 million \$42 million for the three months ended March 31, 2024 and June 30, 2024, a loss of \$41 million \$17 million for the three months ended March 31, 2023 June 30, 2023, a gain of \$139 million for the six months ended June 30, 2024 and a loss of \$58 million for the six months ended June 30, 2023.

As of March 31, 2024 June 30, 2024 and 2023, the ending balance of Accumulated other comprehensive income (loss) consisted of after-tax cumulative translation adjustment losses of \$1.6 billion and \$1.5 billion, respectively, and after-tax unrecognized pension and other postretirement benefit costs of \$326 \$325 million and \$293 million, respectively.

## (11) Segment Information

The Company's operations are organized and managed based on similar product offerings and end markets, and are reported to senior management as the following seven segments: Automotive OEM; Food Equipment; Test & Measurement and Electronics; Welding; Polymers & Fluids; Construction Products; and Specialty Products. Refer to Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for information regarding operating revenue and operating income for the Company's segments.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### INTRODUCTION

Illinois Tool Works Inc. (the "Company" or "ITW") is a global manufacturer of a diversified range of industrial products and equipment with 84 divisions in 51 countries. As of December 31, 2023, the Company employed approximately 45,000 people.

The Company's operations are organized and managed based on similar product offerings and end markets, and are reported to senior management as the following seven segments: Automotive OEM; Food Equipment; Test & Measurement and Electronics; Welding; Polymers & Fluids; Construction Products; and Specialty Products.

Due to the large number of diverse businesses and the Company's decentralized operating structure, the Company does not require its businesses to provide detailed information on operating results. Instead, the Company's corporate management collects data on several key measurements: operating revenue, operating income, operating margin, overhead costs, number of months on hand in inventory, days sales outstanding in accounts receivable, past due receivables and return on invested capital. These key measures are monitored by management and significant changes in operating results versus current trends in end markets and variances from forecasts are discussed with operating unit management.

### THE ITW BUSINESS MODEL



The powerful and highly differentiated ITW Business Model is the Company's core source of value creation. It is the Company's competitive advantage and defines how ITW creates value for its shareholders. The ITW Business Model is comprised of three unique elements:

- ITW's **80/20 Front-to-Back** process is the operating system that is applied in every ITW business. Initially introduced as a manufacturing efficiency tool in the 1980s, ITW has continually refined, improved and expanded 80/20 into a proprietary, holistic business management process that generates significant value for the Company and its customers. Through the application of data driven insights generated by 80/20 practice, ITW focuses on its largest and best opportunities (the "80") and eliminates cost, complexity and distractions associated with the less profitable opportunities (the "20"). 80/20 enables ITW businesses to consistently achieve world-class operational excellence in product availability, quality, and innovation, while generating superior financial performance;
- **Customer-back Innovation** has fueled decades of profitable growth at ITW. The Company's unique innovation approach is built on insight gathered from the 80/20 Front-to-Back process. Working from the customer back, ITW businesses position themselves as the go-to problem solver for their "80" customers. ITW's innovation efforts are focused on understanding customer needs, particularly those in "80" markets with solid long-term growth fundamentals, and creating unique solutions to address those needs. These customer insights and learnings drive innovation at ITW and have contributed to a portfolio of approximately 19,600 granted and pending patents;
- ITW's **Decentralized, Entrepreneurial Culture** enables ITW businesses to be fast, focused, and responsive. ITW businesses have significant flexibility within the framework of the ITW Business Model to customize their approach in order to best serve their specific customers' needs. ITW colleagues recognize their unique responsibilities to execute the Company's strategy and values. As a result, the Company maintains a focused and simple organizational structure that, combined with outstanding execution, delivers best-in-class services and solutions adapted to each business' customers and end markets.

#### ENTERPRISE STRATEGY: 2012-2023

In late 2012, ITW began its strategic framework transitioning the Company to fully leverage the unique and powerful set of capabilities and operating practices of the ITW Business Model. The Company undertook a complete review of its performance, focusing on its businesses delivering consistent above-market growth with best-in-class margins and returns, and developing a strategy to replicate that performance across its operations. ITW determined that solid and consistent above-market organic growth is the core growth engine to deliver world-class financial performance and compelling long-term returns for its shareholders.

Key initiatives in the Company's enterprise strategy included portfolio management, business structure simplification, strategic sourcing and the diligent re-application of ITW's proprietary 80/20 Front-to-Back process.

- As part of the Portfolio Management initiative, ITW exited businesses that were operating in commoditized market spaces and prioritized sustainable differentiation as a must-have requirement for all ITW businesses. This process included both divesting entire businesses and exiting commoditized product lines and customers inside otherwise highly differentiated ITW divisions.
- Business Structure Simplification was implemented to simplify and scale up ITW's operating structure to support increased engineering, marketing, and sales resources, and improve global reach and competitiveness, all of which were critical to driving accelerated organic growth. ITW now has 84 scaled-up divisions with significantly enhanced focus on growth investments, core customers and products, and customer-back innovation.
- The Strategic Sourcing initiative established sourcing as a core strategic and operational capability at ITW, delivering an average of one percent reduction in spend each year since 2013 and continues to be a key contributor to the Company's ongoing enterprise strategy.
- With the initial portfolio realignment and scale-up work largely completed, the Company shifted its focus to preparing for and accelerating organic growth, reapplying the 80/20 Front-to-Back process to optimize its scaled-up divisions for growth, first, to build a foundation of operational excellence, and second, to identify the best opportunities to drive organic growth.

Since implementing the Company's enterprise strategy in 2012, the Company has demonstrated the compelling performance potential of the ITW Business Model and superior 80/20 management, resulting in meaningful incremental improvement in margins and returns as evidenced by the Company's operating margin and after-tax return on invested capital. At the same time, these 80/20 initiatives can also result in restructuring initiatives that reduce costs and improve profitability and returns.

#### OUR NEXT PHASE: 2024-2030

In the Next Phase of the Company's evolution, the ITW Business Model and the Enterprise Strategy framework will be as formidable of a competitive advantage and performance differentiator as it has been over the last decade, if not more so. Volatility, risk and the pace of change in the global operating environment will continue to increase, and a decentralized entrepreneurial culture allows the Company to be a fast adaptor – to read, react, respond and evolve. The Company's ability to consistently execute and invest through the ups and downs of the business cycle is now a defining competitive advantage.

Throughout the Next Phase, the Company's focus is to build organic growth into a core ITW strength on par with the Company's world-class financial performance and operational capabilities. Throughout this phase, the Company will sustain its foundational strengths built over the past decade, including the high-quality ITW Business Model practice. Customer-back Innovation (CBI) is the most impactful driver to achieve high-quality organic growth through the cycle by establishing trusted problem solver relationships with key customers to effectively invent solutions that address customers' most critical pain points or tackle the biggest growth opportunities. CBI successes, coupled with underlying market growth and share gains, are how the Company intends to achieve its high-quality organic growth.

#### Portfolio Discipline



The Company only operates in industries where it can generate significant, long-term competitive advantage from the ITW Business Model. ITW businesses have the right "raw material" in terms of market and business attributes that best fit the ITW Business Model and have significant potential to drive above-market organic growth over the long-term.

The Company focuses on high-quality businesses, ensuring it operates in markets with positive long-term macro fundamentals and with customers that have critical needs and value ITW's differentiated products, services and solutions. ITW's portfolio operates in highly diverse end markets and geographies which makes the Company more resilient in the face of uncertain or volatile market environments.

The Company routinely evaluates its portfolio to ensure it delivers sustainable differentiation and drives consistent long-term performance. This includes both implementing portfolio refinements and assessing selective high-quality acquisitions to supplement ITW's long-term growth potential.

In the fourth quarter of 2022, plans were approved to divest one business in the Specialty Products segment. This business was presented as held for sale beginning in the fourth quarter of 2022. This business was sold on April 3, 2023, with no significant gain or loss upon sale. Operating revenue related to this business that was included in the Company's results of operations was \$9 million for the six months ended June 30, 2023. There was no operating revenue related to this business included in the Company's results of operations for the three months ended March 31, 2023 June 30, 2023. Refer to Note 3. Divestitures in Item 1. Financial Statements for further information regarding this divestiture.

On January 2, 2024, the Company completed the acquisition of one business in the Test & Measurement and Electronics segment for \$57 million, net of cash acquired. This On April 1, 2024, the Company completed the acquisition was of one business in the Test & Measurement and Electronics segment for \$59 million, net of cash acquired. The purchase price for both acquisitions is subject to certain closing adjustments. These acquisitions were not material, individually or in the aggregate, to the Company's results of operations, financial position or cash flows. Refer to Note 2. Acquisitions in Item 1. Financial Statements for further information regarding these acquisitions.

## 80/20 Front-to-Back Practice Excellence

ITW will continue to drive 80/20 Front-to-Back practice excellence in every division in the Company, every day. Driving strong operational excellence in the quality of 80/20 Front-to-Back practice across the Company, division by division, will produce further customer-facing performance improvement in a number of divisions and additional structural margin expansion at the enterprise level.

## TERMS USED BY ITW

Management uses the following terms to describe the financial results of operations of the Company:

- **Organic business** - acquired businesses that have been included in the Company's results of operations for more than 12 months on a constant currency basis.
- **Operating leverage** - the estimated effect of the organic revenue volume changes on organic operating income, assuming variable margins remain the same as the prior period.
- **Price/cost** - represents the estimated net impact of increases or decreases in the cost of materials used in the Company's products versus changes in the selling price to the Company's customers.
- **Product line simplification (PLS)** - focuses businesses on eliminating the complexity and overhead costs associated with smaller product lines and customers, and focuses businesses on supporting and growing their largest customers and product lines. In the short-term, PLS may result in a decrease in revenue and overhead costs while improving operating margin. In the long-term, PLS is expected to result in growth in revenue, profitability, and returns.

Unless otherwise stated, the changes in financial results in the consolidated results of operations and the results of operations by segment represent the current year period versus the comparable period in the prior year. The following discussion of operating results should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's 2023 Annual Report on Form 10-K.

## CONSOLIDATED RESULTS OF OPERATIONS

During the first quarter of 2022, Russian military forces invaded Ukraine. In response, the United States and several other countries imposed economic and other sanctions on Russia. The Company has four immaterial Russian subsidiaries with total assets of approximately \$22 million \$26 million as of March 31, 2024 June 30, 2024. The revenue for these subsidiaries for the three and six months ended March 31, 2024 June 30, 2024 was approximately \$5 million, \$6 million and \$11 million, respectively. These subsidiaries are not material to the Company's results of operations or financial position.

During the first quarter of 2024, the Company changed the method used to determine the cost of inventory at certain U.S. businesses from the last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method, as the Company believes the FIFO method is preferable because it provides a more consistent method for valuing inventory across the Company's operations, improves comparability with peers, and better reflects the current value of inventories at the balance sheet date. The LIFO provision for the years ended December 31, 2023 and 2022 was \$6 million of expense and \$7 million of income, respectively, and was not material to the Company's results of operations, financial position or cash flows. Therefore, the Company has recorded the pre-tax cumulative effect of this change in accounting method of \$117 million as a reduction of Cost of revenue in the first quarter of 2024. Refer to Note 1. Significant Accounting Policies and Note 7. Inventories in Item 1. Financial Statements for additional information regarding this change in accounting method and the Company's inventory balances.

In a challenging and dynamic environment, the Company delivered strong solid financial results in the first second quarter and year-to-date periods of 2024 primarily due to the continued successful execution of enterprise initiatives and continued focus on the highly differentiated ITW Business Model.

## Operating Revenue

### Operating Expenses

Refer to the "Results of Operations for Total Company" and the "Results of Operation by Segment" sections for additional discussion of operating results for the first second quarter and year-to-date periods of 2024 compared to 2023.

## RESULTS OF OPERATIONS FOR TOTAL COMPANY

The Company's consolidated results of operations for the first second quarter and year-to-date periods of 2024 and 2023 were as follows:

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Operating income	Operating income	\$1,127	\$	\$ 972	15.9	15.9 %	16.1	(0.2) %	0.4	(0.4) %	15.9	Operating % income	\$	1,054	\$	\$1,010	4.5
Operating margin %	Operating margin %	28.4	%	24.2	%	420 bps	410 bps	—	10 bps	—	420 bps	420	Operating margin bps %	26.2	%	24.8	%
Six Months Ended																	
Dollars in millions				June 30,				Components of Increase (Decrease)									
		2024	2023	Inc (Dec)		Organic		Acquisition/ Divestiture		Restructuring		Foreign Currency		Total			
Operating revenue	\$	8,000	\$ 8,093	(1.2)%		(0.4)%		— %		— %		(0.8)%		(1.2)%			
Operating income	\$	2,181	\$ 1,982	10.1 %		10.7 %		(0.2)%		0.4 %		(0.8)%		10.1 %			
Operating margin %		27.3 %	24.5 %	280 bps		270 bps		—		10 bps		—		280 bps			

- Operating revenue declined decreased in the first second quarter and year-to-date periods primarily due to lower organic revenue and the unfavorable effect of foreign currency translation. translation and lower organic revenue.
- Organic revenue declined 0.6% was essentially flat in the second quarter and year-to-date periods as growth in the Specialty Products, Polymers & Fluids, Food Equipment and Automotive OEM segments was offset by a decrease decline in the Construction Products, Welding and Test & Measurement and Electronics Food Equipment and Polymers & Fluids segments was partially offset by growth in the Automotive OEM and Specialty Products segments. Product line simplification activities reduced organic revenue by 50 basis points and 40 basis points. points in the second quarter and year-to-date periods, respectively.
  - North American organic revenue decreased 3.5% 2.0% in the second quarter as all seven a decline in five segments was partially offset by growth in the Specialty Products and Food Equipment segments. In the year-to-date period, organic revenue declined primarily 2.7% driven by a decrease in six segments, partially offset by an increase in the Test & Measurement and Electronics and Automotive OEM segments. Specialty Products segment.
  - Europe, Middle East and Africa organic revenue increased 1.3% 0.6% in the second quarter as growth in the Specialty Products, Test & Measurement and Electronics and Automotive OEM four segments was partially offset by a decline in the Construction Products, Polymers & Fluids, Welding and Food Equipment segments.
  - Asia Pacific increased 5.6% as growth in five segments, primarily driven by Automotive OEM, was partially offset by a decline in the Construction Products and Welding segments. Organic revenue in China increased 15.3% due to an increase in the Automotive OEM, Polymers & Fluids, Specialty Products, Test & Measurement and Electronics, Construction Products and Food Equipment Automotive OEM segments. In the year-to-date period, organic revenue grew 1.0% driven by growth in six segments, partially offset by a decline in the Construction Products segment.
  - Asia Pacific organic revenue increased 2.9% in the second quarter and Welding 4.2% in the year-to-date period primarily due to growth in the Automotive OEM segment of 10.3% and 15.1% in each respective period. Organic revenue in China increased 4.6% and 9.5% in the second quarter and year-to-date periods, respectively, driven by an increase in five segments, primarily due to growth in the Automotive OEM segment, partially offset by a decline in the Test & Measurement and Electronics and Construction Products segments.
- Operating income of \$1.1 billion increased 4.5% in the second quarter compared to the prior year. In the year-to-date period, operating income of \$2.2 billion grew 15.9% 10.1%, or 3.8% 4.2% excluding the \$117 million favorable impact of the LIFO accounting method change discussed previously.
- Operating margin was 26.2% in the second quarter. The increase of 28.4% 140 basis points was primarily due to benefits from the Company's enterprise initiatives of 140 basis points and favorable price/cost of 40 basis points, partially offset by higher employee-related expenses and mix.
- In the year-to-date period, operating margin of 27.3% increased 420 280 basis points. Excluding the 300 150 basis points of favorable impact from the LIFO accounting method change, operating margin increased 120 130 basis points primarily driven by benefits from the Company's enterprise initiatives of 140 basis points and favorable price/cost of 90 70 basis points, partially offset by higher employee-related expenses mix and unfavorable operating leverage of 20 basis points. mix.
- The Company's effective tax rate for the first second quarter of 2024 and 2023 was 23.6% 24.4% and 22.6% 21.4%, respectively, and 24.0% and 22.0% for the year-to-date periods of 2024 and 2023, respectively. The effective tax rates for 2024 and 2023 included discrete income tax benefits related to excess tax benefits from stock-based compensation of \$9 \$1 million and \$13 \$4 million for the first second quarter of 2024 and 2023, respectively, and \$10 million and \$17 million for the year-to-date period of 2024 and 2023, respectively. Additionally, the effective tax rate for the second quarter and year-to-date periods of 2023 included a discrete income tax benefit of \$20 million related to amended 2021 U.S. taxes.
- Diluted earnings per share (EPS) of \$2.73 \$2.54 for the second quarter and \$5.27 for the year-to-date period of 2024 increased 2.4% and 9.6%, respectively. In the year-to-date period, EPS increased 3.5% excluding the favorable effect of the first quarter of 2024 increased 17.2%, or 4.7% excluding the favorable impact of \$0.29 from the LIFO accounting method change. change of \$0.29.
- The Company repurchased approximately 1.4 million 1.6 million and 3.0 million shares of its common stock in the first second quarter and year-to-date periods of 2024, respectively, for approximately \$375 million, and \$750 million, respectively.

## RESULTS OF OPERATIONS BY SEGMENT

Total operating revenue and operating income for the first second quarter and year-to-date periods of 2024 and 2023 were as follows:

Three Months Ended March 31,	Three Months Ended June 30,	Six Months Ended June 30,
------------------------------	-----------------------------	---------------------------

Dollars in millions	Dollars in millions	Operating Revenue		Operating Income		Dollars in millions	Operating Revenue		Operating Income		Operating Revenue		Operating Income			
	2024		2024		2023		2024		2023		2024		2023		2024	
Automotive OEM																
Food Equipment																
Test & Measurement and Electronics																
Welding																
Polymers & Fluids																
Construction Products																
Specialty Products																
Total segments																
Intersegment revenue																
Unallocated																
Total																

Segments are allocated a fixed overhead charge based on the segment's revenue. Expenses not charged to the segments are reported separately as Unallocated. Because the Unallocated category includes a variety of items, it is subject to fluctuations on a quarterly and annual basis. Unallocated in 2024 includes the six months ended June 30, 2024 included the favorable pre-tax cumulative effect of the LIFO accounting method change of \$117 million, in the first quarter of 2024. Refer to Note 1. Significant Accounting Policies and Note 7. Inventories in Item 1. Financial Statements for additional information regarding this change in accounting method and the Company's inventory balances.

## AUTOMOTIVE OEM

This segment is a global, niche supplier to top tier OEMs, providing unique innovation to address pain points for sophisticated customers with complex problems. Businesses in this segment produce components and fasteners for automotive-related applications. This segment primarily serves the automotive original equipment manufacturers and tiers market. Products in this segment include:

- plastic and metal components, fasteners and assemblies for automobiles, light trucks and other industrial uses.

The results of operations for the Automotive OEM segment for the first second quarter and year-to-date periods of 2024 and 2023 were as follows:

		Three Months Ended				Three Months Ended				Three Months Ended							
		March 31,				Components of Increase (Decrease)				June 30,				Components of Increase (Decrease)			
Dollars in millions		2024				Inc (Dec)				Organic				Acquisition/ Divestiture			
Dollars in millions		2024				2023				2024				2023			
Operating revenue	Operating revenue	\$816	\$	\$796	2.5	2.5 %	3.4 %	— %	— %	(0.9) %	2.5 %	Operating revenue	\$	815	\$	\$ 826	(1.3)
Operating income	Operating income	\$162	\$	\$128	26.1	26.1 %	26.5 %	— %	0.6 %	(1.0) %	26.1 %	Operating income	\$	157	\$	\$ 139	13.8
Operating margin %	Operating margin %	19.8 %		16.1 %		370 bps	360 bps	—	10 bps	10 bps	—	370 bps		19.4 %		16.8 %	
		Six Months Ended				June 30,				Components of Increase (Decrease)							
Dollars in millions		2024				2023				Inc (Dec)				Organic			
Operating revenue		\$	1,631	\$	1,622		0.6 %		1.9 %		— %		— %		(1.3)%		0.6 %
Operating income		\$	319	\$	267		19.7 %		19.5 %		— %		1.8 %		(1.6)%		19.7 %
Operating margin %			19.6 %		16.4 %		320 bps		290 bps		—		30 bps		—		320 bps

- Operating revenue decreased in the second quarter due to the unfavorable effect of foreign currency translation, partially offset by higher organic revenue. In the year-to-date period, operating revenue grew due to higher organic revenue, partially offset by the unfavorable effect of foreign currency translation.
- Organic revenue increased 3.4% 0.4% in the second quarter and 1.9% in the year-to-date period compared to worldwide auto builds which decreased 1%, were flat in both respective periods. Product line simplification activities reduced organic revenue by 50 basis points, points in the second quarter and year-to-date periods.
  - North American organic revenue decreased 5.7% 4.1% and 4.9% in the second quarter and year-to-date periods, respectively, compared to North American auto builds which increased 1% grew 2% in the second quarter and year-to-date periods primarily due to customer mix and product line simplification activities. Auto builds for the Detroit 3, where the Company has higher content, declined 4%, in the second quarter and 3% in the year-to-date period.
  - European organic revenue decreased 1.7% in the second quarter and grew 2.2% 0.3% in the year-to-date period compared to European auto builds which decreased 2% 6% in the second quarter and 3% in the year-to-date period primarily due to market penetration gains and customer mix gains.
  - Asia Pacific organic revenue increased 20.6%, 10.3% and 15.1% in the second quarter and year-to-date periods, respectively. China organic revenue grew 23.2%, increased 6.5% and 14.0% in the second quarter and year-to-date periods, respectively, including growth in the electric vehicles market and higher content in the Chinese original equipment manufacturers, versus China auto builds which increased 4%, in the second quarter and 5% in the year-to-date period. Auto builds of foreign automotive manufacturers in China, where the Company has higher content, decreased 17% and 12% in the second quarter and year-to-date periods, respectively.
- Operating margin was 19.4% in the second quarter. The increase of 19.8% 260 basis points was primarily driven by benefits from the Company's enterprise initiatives, lower restructuring expenses and favorable price/cost of 30 basis points, partially offset by higher employee-related expenses and continued investment in the business.
- In the year-to-date period, operating margin of 19.6% increased 370 320 basis points primarily driven by benefits from the Company's enterprise initiatives, favorable price/cost of 100 60 basis points and positive operating leverage of 60 40 basis points, partially offset by higher employee-related expenses and continued investment in the business.

## FOOD EQUIPMENT

This segment is a highly focused and branded industry leader in commercial food equipment differentiated by innovation and integrated service offerings. This segment primarily serves the food service, food retail and food institutional/restaurant markets. Products in this segment include:

- warewashing equipment;
- cooking equipment, including ovens, ranges and broilers;
- refrigeration equipment, including refrigerators, freezers and prep tables;
- food processing equipment, including slicers, mixers and scales;
- kitchen exhaust, ventilation and pollution control systems; and
- food equipment service, maintenance and repair.

The results of operations for the Food Equipment segment for the first second quarter and year-to-date periods of 2024 and 2023 were as follows:

		Three Months Ended				Three Months Ended				Three Months Ended							
		Dollars in millions				Dollars in millions				Dollars in millions							
		March 31,				Components of Increase (Decrease)				June 30,				Components of Increase (Decrease)			
		Dollars in millions				Components of Increase (Decrease)				June 30,				Components of Increase (Decrease)			
		March 31,				Components of Increase (Decrease)				June 30,				Components of Increase (Decrease)			
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		March 31,				Components of Increase (Decrease)				June 30,				Components of Increase (Decrease)			
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- Operating revenue **declined** increased in the second quarter due to **lower** higher organic revenue, partially offset by the **favorable** unfavorable effect of foreign currency translation. In the year-to-date period, operating revenue grew primarily due to higher organic revenue.
- Organic revenue **decreased** 1.4%, which had a challenging comparable increased 2.5% in the prior year first second quarter of 16.0% growth. Equipment organic revenue **declined** 3.7% as equipment and service organic revenue grew 3.2% 1.4% and 4.6%, respectively. In the year-to-date period, organic revenue grew 0.6% as equipment organic revenue declined 1.1% and service organic revenue grew 3.9%.
  - North American organic revenue increased 1.8% in the second quarter. Equipment organic revenue increased 1.2% primarily due to higher demand in the institutional and food retail end markets, partially offset by a decline in the independent restaurant end market. Service organic revenue increased 2.9%. In the year-to-date period, North American organic revenue declined 2.3% 0.2%. Equipment organic revenue **decreased** 5.0% with declined 1.9% primarily due to lower demand in the food service and independent restaurant end markets, market, partially offset by growth in the food retail and institutional end markets. Service organic revenue **increased** 2.7% grew 2.8%.
  - International organic revenue **was flat**, increased 3.5% and 1.9% in the second quarter and year-to-date periods, respectively. Equipment organic revenue **decreased** 1.8% increased 1.6% in the second quarter and was flat in the year-to-date period primarily due to **lower** higher demand in the European warewash and refrigeration cooking end markets partially and growth in Asia Pacific, offset by higher lower demand in the Asian warewash and the European cooking refrigeration end markets. market. Service organic revenue increased 4.1% 7.7% and 5.9% in the second quarter and year-to-date periods, respectively.
- Operating margin **was** 27.1% in the second quarter. The decrease of 26.0% 70 basis points was primarily driven by higher employee-related expenses and additional investment in the business, partially offset by benefits from the Company's enterprise initiatives, favorable operating leverage of 50 basis points and favorable price/cost of 20 basis points.
- In the year-to-date period, operating margin of 26.5% decreased 70 basis points primarily driven by higher employee-related expenses and unfavorable operating leverage of 30 basis points, additional investment in the business, partially offset by benefits from the Company's enterprise initiatives, and favorable price/cost of 50 40 basis points and favorable operating leverage of 20 basis points.

## TEST & MEASUREMENT AND ELECTRONICS

This segment is a branded and innovative producer of test and measurement and electronic manufacturing and maintenance, repair, and operations, or "MRO" solutions that improve efficiency and quality for customers in diverse end markets. Businesses in this segment produce equipment, consumables, and related software for testing and measuring of materials and structures, as well as equipment and consumables used in the production of electronic subassemblies and microelectronics. This segment primarily serves the electronics, general industrial, energy, automotive original equipment manufacturers and tiers, industrial capital goods and consumer durables markets. Products in this segment include:

- equipment, consumables, and related software for testing and measuring of materials, structures, gases and fluids;
- electronic assembly equipment;
- electronic components and component packaging;
- static control equipment and consumables used for contamination control in clean room environments; and
- pressure sensitive adhesives and components for electronics, medical, transportation and telecommunications applications.

The results of operations for the Test & Measurement and Electronics segment for the first second quarter and year-to-date periods of 2024 and 2023 were as follows:

		Three Months Ended			Three Months Ended			Three Months Ended											
		Dollars in millions			Dollars in millions			Dollars in millions											
		March 31,			Components of Increase (Decrease)			June 30,			Components of Increase (Decrease)								
		2024	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total	2024	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total
Operating revenue	Operating revenue	\$696	\$	\$703	(0.9)	(0.9)%	(1.3)%	0.8%	—%	(0.4)%	(0.9)%	Operating revenue	\$	678	\$	\$	700	(3.2)	(3.2)
Operating income	Operating income	\$163	\$	\$172	(5.3)	(5.3)%	(3.8)%	(1.0)%	0.3%	(0.8)%	(5.3)%	Operating income	\$	159	\$	\$	162	(2.0)	(2.0)
Operating margin %	Operating margin %	23.4%		24.5%	(110) bps	(60) bps	(50) bps	10 bps	(10) bps	(110) bps		Operating margin %		23.5%			23.2%		
		Six Months Ended																	
		June 30,			Components of Increase (Decrease)														
		2024	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total	2024	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total



Operating revenue	\$	1,374	\$	1,403	(2.1)%	(2.2)%	0.8 %	— %	(0.7)%	(2.1)%
Operating income	\$	322	\$	334	(3.7)%	(1.3)%	(1.1)%	(0.3)%	(1.0)%	(3.7)%
Operating margin %		23.4 %		23.8 %	(40) bps	20 bps	(50) bps	(10) bps	—	(40) bps

- Operating revenue declined decreased in the second quarter and year-to-date periods due to lower organic revenue and the unfavorable effect of foreign currency translation, partially offset by revenue from an acquisition acquisitions in the first quarter and second quarters of 2024.
- On January 2, 2024, the The Company completed the acquisition of one business for \$57 million, net of cash acquired. acquired, on January 2, 2024, and completed the acquisition of a second business for \$59 million, net of cash acquired, on April 1, 2024. Refer to Note 2. Acquisitions in Item 1. Financial Statements for additional information regarding the acquisition. these acquisitions.
- Organic revenue decreased 1.3% 3.1% and 2.2% in the second quarter and year-to-date periods, respectively, primarily due to a decline in the semiconductor and electronics end markets, partially offset by growth in the MTS Test & Simulation business.
  - Organic revenue for the test and measurement businesses increased 2.1% decreased 3.2% and 0.6% in the second quarter and year-to-date periods, respectively, primarily driven by lower demand in the semiconductor and general industrial end markets in North America, partially offset by growth in the MTS Test & Simulation business, partially offset by lower demand in the semiconductor and capital expenditure end markets in North America. business.
  - Electronics organic revenue decreased 7.9% 3.0% in the second quarter and 5.6% in the year-to-date period primarily due to a decline in the consumer electronics and semiconductor end markets. The electronics assembly businesses decreased 23.8% 15.0% and 19.7% in the second quarter and year-to-date periods, respectively, primarily due to lower demand in North America and Asia Pacific. America. The other electronics businesses, which include the contamination control, static control and pressure sensitive adhesives businesses, were essentially flat as growth increased 2.2% in Asia Pacific was offset by a decline the second quarter and 1.1% in North America and Europe, the year-to-date period due to higher demand across all major regions.
- Operating margin was 23.5% in the second quarter. The increase of 23.4% decreased 110 30 basis points was primarily driven by benefits from the Company's enterprise initiatives and favorable price/cost of 50 basis points, partially offset by product mix, higher employee-related expenses, unfavorable operating leverage of 90 basis points, the dilutive impact of 50 basis points from an acquisition acquisitions in the first quarter of 2024 and higher employee-related expenses.
- In the year-to-date period, operating margin of 23.4% decreased 40 basis points primarily driven by product mix, unfavorable operating leverage of 40 60 basis points, the dilutive impact of 50 basis points from acquisitions in 2024 and higher employee-related expenses, partially offset by favorable price/cost of 90 70 basis points and benefits from the Company's enterprise initiatives.

## WELDING

This segment is a branded value-added equipment and specialty consumable manufacturer with innovative and leading technology. Businesses in this segment produce arc welding equipment, consumables and accessories for a wide array of industrial and commercial applications. This segment primarily serves the general industrial market, which includes fabrication,

shipbuilding and other general industrial markets, and construction, energy, MRO, industrial capital goods and automotive original equipment manufacturers and tiers markets. Products in this segment include:

- arc welding equipment; and
- metal arc welding consumables and related accessories.

The results of operations for the Welding segment for the first second quarter and year-to-date periods of 2024 and 2023 were as follows:

		Three Months Ended				Three Months Ended				Three Months Ended							
		Dollars in millions				Dollars in millions				Dollars in millions							
		March 31,				Components of Increase (Decrease)				June 30,				Components of Increase (Decrease)			
		2024	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total	2024	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring
Operating revenue	Operating revenue	\$476	\$	\$493	(3.4)	(3.4)%	(3.5)%	— %	— %	0.1 %	(3.4)	Operating revenue	\$	466	\$	\$490	(5.0)
Operating income	Operating income	\$156	\$	\$157	(1.1)	(1.1)%	(1.4)%	— %	0.1 %	0.2 %	(1.1)	Operating income	\$	153	\$	\$167	(8.0)
Operating margin %	Operating margin %	32.7 %		31.9 %	80 bps	70 bps	10 bps	10 bps	—	80 bps	80 bps	Operating margin %		32.9 %		33.9 %	(100) bps
		Six Months Ended				June 30,				Components of Increase (Decrease)							

	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total
Operating revenue	\$ 942	\$ 983	(4.2)%	(4.1)%	— %	— %	(0.1)%	(4.2)%
Operating income	\$ 309	\$ 324	(4.7)%	(4.8)%	— %	0.2 %	(0.1)%	(4.7)%
Operating margin %	32.8 %	32.9 %	(10) bps	(20) bps	—	10 bps	—	(10) bps

- Operating revenue declined primarily decreased in the second quarter and year-to-date periods due to lower organic revenue, revenue and the unfavorable effect of foreign currency translation.
- Organic revenue decreased 3.5%, which had a challenging comparable 4.7% in the prior year first second quarter of 10.2% growth. Consumables as equipment and consumables declined 5.4% and 3.4%, respectively. In the year-to-date period, organic revenue declined 4.1% as equipment and consumables declined 6.4% 3.5% and 1.7% 4.9%, respectively.
  - North American organic revenue decreased 2.6% primarily due to a decline declined 6.2% in the commercial second quarter and 4.4% in the year-to-date period. In the second quarter, the industrial and commercial end markets of 6.1% decreased 7.5% and 1.1% 5.7%, respectively. In the year-to-date period, the industrial and commercial end markets declined 4.3% and 5.9%, respectively.
  - International organic revenue declined 8.0% increased 3.4% in the second quarter primarily due to higher demand in Europe, partially offset by lower equipment demand in the general industrial and oil and gas end markets in Asia Pacific. In the year-to-date period, organic revenue declined 2.4% primarily due to lower demand in the general industrial and oil and gas end markets in Asia Pacific, and lower demand partially offset by growth in Europe.
- Operating margin was 32.9% in the second quarter. The decrease of 32.7% increased 80 100 basis points was primarily driven by higher employee-related expenses and unfavorable operating leverage of 70 basis points, partially offset by benefits from the Company's enterprise initiatives and favorable price/cost of 90 60 basis points.
- In the year-to-date period, operating margin of 32.8% decreased 10 basis points partially offset primarily driven by higher employee-related expenses and unfavorable operating leverage of 50 60 basis points, partially offset by benefits from the Company's enterprise initiatives and favorable price/cost of 70 basis points.

## POLYMERS & FLUIDS

This segment is a branded supplier to niche markets that require value-added, differentiated products. Businesses in this segment produce engineered adhesives, sealants, lubrication and cutting fluids, and fluids and polymers for auto aftermarket maintenance and appearance. This segment primarily serves the automotive aftermarket, general industrial and MRO markets. Products in this segment include:

- adhesives for industrial, construction and consumer purposes;
- chemical fluids which clean or add lubrication to machines;
- epoxy and resin-based coating products for industrial applications;
- hand wipes and cleaners for industrial applications;
- fluids, polymers and other supplies for auto aftermarket maintenance and appearance;
- fillers and putties for auto body repair; and
- polyester coatings and patch and repair products for the marine industry.

The results of operations for the Polymers & Fluids segment for the first second quarter and year-to-date periods of 2024 and 2023 were as follows:

		Three Months Ended			Three Months Ended			Three Months Ended					
		Dollars in millions			Dollars in millions			Dollars in millions					
		March 31,			Components of Increase (Decrease)			June 30,			Components of Increase (Decrease)		
		2024	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total	2024	2023	In (D)
Operating revenue	Operating revenue	\$432	\$	\$447	(3.3) (3.3)%	(0.9)%	— %	— %	(2.4) %	(3.3) %	Operating revenue	\$ 454	\$ \$459 (1.3) (1.3) % 2.6
Operating income	Operating income	\$111	\$	\$109	2.3 2.3 %	4.2 %	— %	1.2 %	(3.1) %	2.3 %	Operating income	\$ 128	\$ \$119 7.2 7.2 % 9.7
Operating margin %	Operating margin %	25.8 %		24.4 %	140 bps	120 bps	30 bps	30 bps	(10) bps	140 bps	Operating margin	28.2 %	25.9 % 230 bps
		Six Months Ended											
		Dollars in millions			June 30,			Components of Increase (Decrease)					
		2024	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total	2024	2023	In (D)



Operating revenue	\$	886	\$	906	(2.3)%	0.9 %	— %	— %	(3.2)%	(2.3)%
Operating income	\$	239	\$	228	4.9 %	7.1 %	— %	1.8 %	(4.0)%	4.9 %
Operating margin %		27.0 %		25.2 %	180 bps	150 bps	—	50 bps	(20) bps	180 bps

- Operating revenue declined decreased in the second quarter and year-to-date periods due to the unfavorable effect of foreign currency translation, and lower partially offset by higher organic revenue.
- Organic revenue decreased increased 2.6% and 0.9% as a decline in North America the second quarter and Europe was partially offset by growth in South America and Asia Pacific, year-to-date periods, respectively. Product line simplification activities reduced organic revenue by 20 basis points in the second quarter and 30 basis points, points in the year-to-date period.
  - Organic revenue for the polymers businesses grew 10.0% and 5.2% in the second quarter and year-to-date periods, respectively, primarily due to increases in South America, Europe and Asia Pacific, partially offset by a decrease in North America.
  - Organic revenue for the fluids businesses grew 4.0% in the second quarter and 1.9% in the year-to-date period driven by higher demand in Europe primarily due to growth in the hygiene end market.
  - Organic revenue for the automotive aftermarket businesses decreased 1.8% declined 2.1% in the second quarter and 1.9% in the year-to-date period primarily due to a decline lower demand in the North American body repair, car care and tire repair businesses, in North America, partially offset by growth in the North American engine repair businesses in North America business and higher demand in Europe.
  - Organic revenue for the fluids businesses was essentially flat as lower demand in Europe was offset by higher demand in the North American hygiene end market.
  - Organic revenue for the polymers businesses was essentially flat as growth in South America European additives and Asia was offset by a decline in North America and Europe. Demand in North America and Europe was negatively impacted by decreases in the wind and industrial end markets, tire repair businesses.
- Operating margin was 28.2% in the second quarter. The increase of 25.8% increased 140 230 basis points was primarily driven by favorable price/cost of 130 basis points, benefits from the Company's enterprise initiatives, lower restructuring expenses, favorable price/cost of 50 basis points, favorable operating leverage of 50 basis points and lower intangible asset amortization expense, partially offset by higher employee-related expenses.
- In the year-to-date period, operating margin of 27.0% increased 180 basis points primarily driven by benefits from the Company's enterprise initiatives, favorable price/cost of 90 basis points, lower restructuring expenses, lower intangible asset amortization expense and favorable operating leverage of 20 basis points, partially offset by higher employee-related expenses.

## CONSTRUCTION PRODUCTS

This segment is a branded supplier of innovative engineered fastening systems and solutions. This segment primarily serves the residential construction, renovation/remodel and commercial construction markets. Products in this segment include:

- fasteners and related fastening tools for wood and metal applications;
- anchors, fasteners and related tools for concrete applications;
- metal plate truss components and related equipment and software; and
- packaged hardware, fasteners, anchors and other products for retail.

The results of operations for the Construction Products segment for the first second quarter and year-to-date periods of 2024 and 2023 were as follows:

		Three Months Ended				Three Months Ended				Three Months Ended							
		Dollars in millions				Dollars in millions				Dollars in millions							
		March 31,				Components of Increase (Decrease)				June 30,				Components of Increase (Decrease)			
		2024	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency
Operating revenue	Operating revenue	\$488	\$	\$526	(7.3)	(7.3)%	(7.0)%	— %	— %	(0.3) %	(7.3) %	Operating revenue	\$	504	\$	\$526	(4.3)
Operating income	Operating income	\$143	\$	\$145	(0.9)	(0.9)%	(0.8)%	— %	— %	(0.1) %	(0.9) %	Operating income	\$	148	\$	\$154	(4.1)
Operating margin %	Operating margin %	29.4 %		27.5 %		190 bps	190 bps	—	—	—	190 bps	Operating margin %		29.4 %		29.3 %	10 bps
		Six Months Ended															
		Dollars in millions				June 30,				Components of Increase (Decrease)							

	2024	2023	Inc (Dec)	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total
Operating revenue	\$ 992	\$ 1,052	(5.8)%	(5.4)%	— %	— %	(0.4)%	(5.8)%
Operating income	\$ 291	\$ 299	(2.6)%	(1.1)%	— %	(1.0)%	(0.5)%	(2.6)%
Operating margin %	29.4 %	28.4 %	100 bps	130 bps	—	(30) bps	—	100 bps

- Operating revenue declined in the second quarter and year-to-date periods due to lower organic revenue and the unfavorable effect of foreign currency translation.
- Organic revenue decreased 7.0% 3.8% and 5.4% in the second quarter and year-to-date periods, respectively, primarily due to lower demand across all major regions. Product line simplification activities reduced organic revenue by 40 basis points, points in the second quarter and year-to-date periods.
  - North American organic revenue decreased 2.5% primarily declined 1.9% in the second quarter and 2.2% in the year-to-date period due to lower demand in the residential and commercial end markets. Organic revenue in the United States commercial and residential end markets of 13.0% market decreased 1.6% and 0.6%, respectively. 1.1% in the second quarter and year-to-date periods, respectively, and the commercial end market declined 8.9% in the second quarter and 10.8% in the year-to-date period. Organic revenue in Canada declined 4.7%. grew 11.9% and 2.9% in the second quarter and year-to-date periods, respectively.
  - International organic revenue decreased 11.9%, declined 5.9% in the second quarter and 8.9% in the year-to-date period. European organic revenue declined 11.1% decreased 6.6% in the second quarter and 8.9% in the year-to-date period primarily due to lower demand in the commercial and residential end markets. Asia Pacific organic revenue declined 12.8% 5.1% and 9.0% in the second quarter and year-to-date periods, respectively, primarily due to lower demand in the Australia and New Zealand residential end markets.
- Operating margin was 29.4% in the second quarter. The increase of 10 basis points was primarily driven by benefits from the Company's enterprise initiatives and favorable price/cost of 10 basis points, partially offset by unfavorable operating leverage of 80 basis points, higher restructuring expenses and higher employee-related expenses.
- In the year-to-date period, operating margin of 29.4% increased 190 100 basis points primarily driven by benefits from the Company's enterprise initiatives and favorable price/cost of 10 basis points, partially offset by unfavorable operating leverage of 130 90 basis points and higher employee-related expenses.

## SPECIALTY PRODUCTS

This segment is focused on diversified niche market opportunities with substantial patent protection producing beverage packaging equipment and consumables, product coding and marking equipment and consumables, and appliance components and fasteners. This segment primarily serves the food and beverage, consumer durables, general industrial, industrial capital goods, airlines and printing and publishing markets. Products in this segment include:

- conveyor systems and line automation for the food and beverage industries;
- plastic consumables that multi-pack cans and bottles and related equipment;
- foil, film and related equipment used to decorate consumer products;
- product coding and marking equipment and related consumables;
- plastic and metal closures and components for appliances;
- airport ground support equipment; and
- components for medical devices.

The results of operations for the Specialty Products segment for the first second quarter and year-to-date periods of 2024 and 2023 were as follows:

		Three Months Ended										Three Months Ended					
		Three Months Ended										Three Months Ended					
Dollars in millions																	
Dollars in millions																	
Dollars in millions		March 31,				Components of Increase (Decrease)				June 30,				Components of Increase (Decrease)			
2024		2024	2023	Inc (Dec)		2024	2023	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total	2024	2023	Inc (Dec)		
Operating revenue	Operating revenue	\$440	\$423	3.8	3.8 %	5.5	(2.2)%	— %	0.5 %	3.8 %	Operating revenue	\$449	\$423	6.2	6.2 %		
Operating income	Operating income	\$130	\$109	20.1	20.1 %	18.2	(0.4)%	1.4 %	0.9 %	20.1 %	Operating income	\$144	\$109	30.3	30.3 %		
Operating margin %	Operating margin %	29.7 %	25.6 %	410 bps	310 bps	50 bps	40 bps	10 bps	410 bps	Operating margin %	31.9 %	26.0 %			590 bps		
Six Months Ended																	
Dollars in millions		June 30,						Components of Increase (Decrease)									
		2024	2023	Inc (Dec)		2024	2023	Organic	Acquisition/ Divestiture	Restructuring	Foreign Currency	Total	2024	2023	Inc (Dec)		

Operating revenue	\$	889	\$	846	5.0 %	6.1 %	(1.1)%	— %	— %	5.0 %
Operating income	\$	274	\$	218	25.3 %	23.2 %	(0.2)%	2.0 %	0.3 %	25.3 %
Operating margin %		30.8 %		25.8 %	500 bps	420 bps	30 bps	50 bps	—	500 bps

- Operating revenue increased in the second quarter due to higher organic revenue, partially offset by the unfavorable effect of foreign currency translation. In the year-to-date period, operating revenue grew due to higher organic revenue, and the favorable effect of foreign currency translation, partially offset by the impact of a divestiture in the second quarter of 2023.
- The Company divested a business on April 3, 2023. Operating There was no operating revenue for this business that was included in the Company's results of operations for the first second quarter of 2023 was and \$9 million, in the year-to-date period of 2023.
- Organic revenue increased 5.5% 6.7% in the second quarter as consumables and equipment sales grew 5.1% and 12.8%, respectively. In the year-to-date period, organic revenue grew 6.1% as equipment sales grew 26.2% and consumables increased 1.4%. Equipment sales increased 42.6% primarily driven by higher demand in both respective periods, organic revenue grew in Europe and North America. Consumable sales declined 2.2% primarily due to lower demand in North America, all major regions. Product line simplification activities reduced organic revenue by 140 230 basis points, points in the second quarter and 190 basis points in the year-to-date period.
  - North American organic revenue decreased 0.5% grew 4.7% in the second quarter primarily driven by a decline in the consumer packaging, specialty films, and decorating equipment businesses, partially offset by growth in the ground support equipment, consumer packaging, strength films and appliance businesses, partially offset by a decline in the decorative and thermal foils businesses. In the year-to-date period, organic revenue increased 2.0% primarily driven by growth in the ground support equipment, appliance and strength films businesses, partially offset by a decline in the decorative and thermal foils and consumer packaging businesses.
  - International organic revenue increased 18.6% 10.4% in the second quarter primarily due to growth in Europe in the ground support equipment and appliance businesses, partially offset by a decline in the consumer packaging businesses and growth in Asia businesses. In the year-to-date period, organic revenue grew 14.3% primarily due to higher demand and an increase in Europe in the ground support equipment, consumer packaging and appliance business, businesses.
- Operating margin was 31.9% in the second quarter. The increase of 29.7% increased 410 590 basis points was primarily driven by favorable price/cost of 160 basis points, favorable operating leverage of 110 basis points, benefits from the Company's enterprise initiatives, the favorable impact operating leverage of a divestiture in the second quarter 130 basis points, favorable price/cost of 2023 100 basis points, lower restructuring expenses, and lower intangible asset amortization expense, partially offset by higher employee-related expenses and product mix.
- In the year-to-date period, operating margin of 30.8% increased 500 basis points primarily driven by benefits from the Company's enterprise initiatives, favorable price/cost of 130 basis points, favorable operating leverage of 120 basis points, lower restructuring expenses, lower intangible asset amortization expense and the favorable impact of a divestiture in the second quarter of 2023, partially offset by higher employee-related expenses and product mix.

## OTHER FINANCIAL HIGHLIGHTS

- Interest expense was \$75 million and \$146 million in the first second quarter and year-to-date periods of 2024, increased to \$71 million respectively, versus \$60 million \$69 million and \$129 million in the first quarter of 2023, respectively. Interest expense in 2024 was higher than 2023 primarily due to higher interest rates, rates, the issuance of the Euro notes in May of 2024 and higher average outstanding commercial paper compared to 2023, partially offset by the repayment of the \$700 million notes due March 1, 2024. Refer to Note 9. Debt in Item 1. Financial Statements for further information regarding the Company's outstanding debt.
- Other income (expense) was income of \$16 \$26 million in the first second quarter of 2024 and \$42 million in the year-to-date period, an increase of \$6 million compared to the first second quarter of 2023 and an increase of \$12 million in the year-to-date period primarily due to foreign currency translation gains in 2024 versus foreign currency translation losses in 2023, partially offset by lower investment income. income in 2024.

## NEW ACCOUNTING PRONOUNCEMENTS

Information regarding new accounting pronouncements is included in Note 1. Significant Accounting Policies in Item 1. Financial Statements.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are free cash flow and short-term credit facilities. As of March 31, 2024 June 30, 2024, the Company had \$959 million \$862 million of cash and equivalents on hand and no outstanding borrowings under its \$3.0 billion revolving credit facility. The Company also has maintained strong access to public debt markets. Management believes that these sources are sufficient to service debt and to finance the Company's capital allocation priorities, which include:

- internal investments to support organic growth and sustain core businesses;
- payment of an attractive dividend to shareholders; and
- external investments in selective strategic acquisitions that support the Company's organic growth focus and an active share repurchase program.

The Company believes that, based on its operating revenue, operating margin, free cash flow, and credit ratings, it could readily obtain additional financing, if necessary.

### Cash Flow

The Company uses free cash flow to measure cash flow generated by operations that is available for dividends, share repurchases, acquisitions and debt repayment. The Company believes this non-GAAP financial measure is useful to investors in evaluating the Company's financial performance and measures the Company's ability to generate cash internally to fund Company initiatives. Free cash flow represents net cash provided by operating activities less additions to plant and equipment. Free cash flow is a measurement that is not

the same as net cash flow from operating activities per the statement of cash flows and may not be consistent with similarly titled measures used by other companies. Summarized cash flow information for the **first second quarter and year-to-date periods** of 2024 and 2023 was as follows:

	Three Months Ended	March 31, 2024	Three Months Ended	June 30, 2024	Three Months Ended	June 30, 2023	Six Months Ended	June 30, 2023
In millions	In millions	2024	2023	In millions	2024	2023	2024	2023
Net cash provided by operating activities								
Additions to plant and equipment								
Free cash flow								
Cash dividends paid								
Cash dividends paid								
Cash dividends paid								
Repurchases of common stock								
Acquisition of businesses (excluding cash and equivalents)								
Net proceeds from (repayments of) debt with original maturities of three months or less								
Repayments of debt with original maturities of more than three months								
Repayments of debt with original maturities of more than three months								
Proceeds from debt with original maturities of more than three months								
Repayments of debt with original maturities of more than three months								
Other, net								
Effect of exchange rate changes on cash and equivalents								
Net increase (decrease) in cash and equivalents								

#### Stock Repurchase Programs

On May 7, 2021, the Company announced a stock repurchase program which provided for the repurchase of up to \$3.0 billion of the Company's common stock over an open-ended period of time (the "2021 Program"). Under the 2021 program, the Company repurchased approximately 7.1 million shares of its common stock at an average price of \$210.46 per share during 2022, approximately 1.6 million shares of its common stock at an average price of \$233.62 in the first quarter of 2023, approximately 1.6 million shares of its common stock at an average price of \$229.30 in the second quarter of 2023,

approximately 1.6 million shares of its common stock at an average price of \$241.55 in the third quarter of 2023 and approximately 1.5 million shares of its common stock at an average price of \$237.34 in the fourth quarter of 2023. The 2021 Program was completed in the fourth quarter of 2023.

On August 4, 2023, the Company announced a new stock repurchase program which provides for the repurchase of up to an additional \$5.0 billion of the Company's common stock over an open-ended period of time (the "2023 Program"). Under the 2023 program, the Company repurchased approximately 38,000 shares of its common stock at an average price of \$263.44 per share in the fourth quarter of 2023, and approximately 1.4 million shares of its common stock at an average price of \$259.07 per share in the first quarter of 2024 and approximately 1.6 million shares of its common stock at an average price of \$247.42 in the second quarter of 2024. As of **March 31, 2024** **June 30, 2024**, there were **\$4.6** **\$4.2** billion of authorized repurchases remaining under the 2023 Program.

#### After-tax Return on Average Invested Capital

The Company uses after-tax return on average invested capital ("After-tax ROIC") to measure the effectiveness of its operations' use of invested capital to generate profits. After-tax ROIC is not defined under U.S. generally accepted accounting principles ("GAAP"). After-tax ROIC is a non-GAAP financial measure that the Company believes is a meaningful metric to investors in evaluating the Company's ability to generate returns from cash invested in its operations and may be different than the method used by other companies to calculate After-tax ROIC. The Company defines After-tax ROIC as operating income after taxes divided by average invested capital, which is annualized when presented in interim periods. Operating income after taxes is a non-GAAP measure consisting of net income before interest expense and other income (expense), on an after-tax basis, which are excluded as they do not represent returns generated by the Company's operations. For comparability, the Company also excluded the **cumulative effect discrete tax benefit of a change \$20 million in inventory accounting method the second quarter of 2023** from net income **in and the first quarter of 2024**. Refer to Note 1. Significant Accounting Policies effective tax rate for the three and Note 7. Inventories in Item 1. Financial Statements for additional information regarding this change in accounting method. **six months ended June 30, 2023**. Total invested capital represents the net assets of the Company, other than cash and equivalents and outstanding debt which do not represent capital investment in the Company's operations. The most comparable GAAP measure to operating income after taxes is net income. Net income to average invested capital and After-tax ROIC for the **first second quarter and year-to-date periods** of 2024 and 2023 were as follows:

Three Months Ended	Three Months Ended	Three Months Ended	Six Months Ended
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		March 31,							
		June 30,		June 30,					
Dollars in millions	Dollars in millions	2024	2023	Dollars in millions	2024	2023		2024	2023
<b>Numerator:</b>									
Net Income									
Net Income									
Net Income									
Cumulative effect of change in inventory accounting method, net of tax <sup>(1)</sup>									
Discrete tax benefit related to the second quarter 2023									
Interest expense, net of tax <sup>(2)</sup> <sup>(1)</sup>									
Other (income) expense, net of tax <sup>(2)</sup> <sup>(1)</sup>									
Operating income after taxes									
<b>Denominator:</b>									
<b>Denominator:</b>									
<b>Denominator:</b>									
Invested capital:									
Invested capital:									
Invested capital:									
Cash and equivalents									
Cash and equivalents									
Cash and equivalents									
Trade receivables									
Inventories									
Net assets held for sale									
Net plant and equipment									
Goodwill and intangible assets									
Accounts payable and accrued expenses									
Debt									
Other, net									
Total net assets (stockholders' equity)									
Cash and equivalents									
Debt									
Total invested capital									
Average invested capital <sup>(3)</sup>									
Average invested capital <sup>(3)</sup>									
Average invested capital <sup>(3)</sup>									
Average invested capital <sup>(2)</sup>									
Average invested capital <sup>(2)</sup>									
Average invested capital <sup>(2)</sup>									
Net income to average invested capital <sup>(4)</sup>									
Net income to average invested capital <sup>(4)</sup>									
Net income to average invested capital <sup>(4)</sup>		32.0 %	27.9 %						
After-tax return on average invested capital <sup>(4)</sup>		30.1 %	29.4 %						
Net income to average invested capital <sup>(3)</sup>									
Net income to average invested capital <sup>(3)</sup>									
Net income to average invested capital <sup>(3)</sup>		29.0 %	29.1 %		30.5 %		28.5 %		
After-tax return on average invested capital <sup>(3)</sup>		30.4 %	29.8 %		32.0 %		29.6 %		

(1) Represents Effective tax rate used for interest expense and other (income) expense for the three months ended June 30, 2024 and 2023 was 24.4% and 23.6%, respectively. Effective tax rate used for interest expense and other (income) expense for the six months ended June 30, 2024 and 2023 was 24.0% and 23.1%, respectively.

(2) Average invested capital is calculated using the total invested capital balances at the start of the period and at the end of each quarter within each of the periods presented.

(3) Returns for the three months ended June 30, 2024 and 2023 were converted to an annual rate by multiplying the calculated return by 4. Returns for the six months ended June 30, 2024 and 2023 were converted to an annual rate by multiplying the calculated return by 2.

After-tax ROIC for the six months ended June 30, 2024 included 170 basis points of favorable impact related to the cumulative effect of the change from the LIFO method of accounting to the FIFO method for certain U.S. businesses (\$117 million pre-tax, or \$88 million after-tax), in the first quarter of 2024. Refer to Note 1. Significant Accounting Policies and Note 7. Inventories in Item 1. Financial Statements for additional information regarding this change in accounting method.

(2) Effective A reconciliation of the tax rate used for interest expense and other (income) expense for the three and six months ended March 31, 2024 and June 30, 2023, excluding the second quarter 2023 was 23.6% and 22.6%, respectively. discrete tax benefit of \$20 million related to amended 2021 U.S. taxes, is as follows:

(3) Average invested capital is calculated using the total invested capital balances at the start of the period and at the end of the periods presented.

Dollars in millions	Three Months Ended		Six Months Ended	
	June 30, 2023		June 30, 2023	
	Income Taxes	Tax Rate	Income Taxes	Tax Rate
As reported	\$ 207	21.4 %	\$ 415	22.0 %
Discrete tax benefit related to the second quarter 2023	20	2.2 %	20	1.1 %
As adjusted	\$ 227	23.6 %	\$ 435	23.1 %

(4) Returns for the three months ended March 31, 2024 and 2023 were converted to an annual rate by multiplying the calculated return by 4.

## Working Capital

Management uses working capital as a measurement of the short-term liquidity of the Company. Net working capital as of March 31, 2024 June 30, 2024 and December 31, 2023 is summarized as follows:

In millions	In millions	March 31, 2024	December 31, 2023	Increase/ (Decrease)	In millions	June 30, 2024	December 31, 2023	Increase/ (Decrease)
Current assets:								
Cash and equivalents								
Cash and equivalents								
Cash and equivalents								
Trade receivables								
Inventories								
Prepaid expenses and other current assets								
Total current assets								
Current liabilities:								
Short-term debt								
Short-term debt								
Short-term debt								
Accounts payable and accrued expenses								
Other								
Total current liabilities								
Net working capital								

As of March 31, 2024 June 30, 2024, a significant portion of the Company's cash and equivalents was held by international subsidiaries. Cash and equivalents held internationally may be subject to foreign withholding taxes if repatriated to the U.S. Cash and equivalents held internationally are typically used for international operating needs or reinvested to fund expansion of existing international businesses. International funds may also be used to fund international acquisitions or, if not considered permanently invested, may be repatriated to the U.S. The Company has accrued for foreign withholding taxes related to foreign held cash and equivalents that are not permanently invested.

In the U.S., the Company utilizes cash flows from operations to fund domestic cash needs and the Company's capital allocation priorities. This includes operating needs of the U.S. businesses, dividend payments, share repurchases, acquisitions, servicing of domestic debt obligations, reinvesting to fund expansion of existing U.S. businesses and general corporate needs. The Company may also use its commercial paper program, which is supported by a long-term credit facility, for short-term liquidity needs. The Company believes cash generated by operations and liquidity provided by the Company's commercial paper program will continue to be sufficient to fund cash requirements in the U.S.

Debt

Total debt as of March 31, 2024 June 30, 2024 and December 31, 2023 was as follows:

In millions	In millions	March 31, 2024	December 31, 2023	In millions	June 30, 2024	December 31, 2023
Short-term debt						
Long-term debt						
Total debt						

Short-term debt included commercial paper of \$1.4 billion \$599 million and \$464 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively. The weighted-average interest rate on commercial paper as of March 31, 2024 June 30, 2024 and December 31, 2023 was 5.38% and 5.40% for both periods, respectively. Short-term debt also included \$647 \$642 million as of March 31, 2024 June 30, 2024 and \$661 million as of December 31, 2023 related to the 0.25% Euro notes due December 5, 2024, which were reclassified from Long-term debt to Short-term debt in the fourth quarter of 2023. Short-term debt as of June 30, 2024 also included \$803 million related to the Euro-denominated credit agreement (the "Euro Credit Agreement") entered into on May 5, 2023, which was reclassified to Short-term debt in the second quarter of 2024 since the debt, including the options to extend the termination date, is due in April 2025. Additionally, Short-term debt as of December 31, 2023 included \$700 million related to the 3.50% notes due March 1, 2024, which were repaid on the due date.

On May 5, 2023, the Company entered into a €1.3 billion Euro-denominated credit agreement (the "Euro Euro Credit Agreement") Agreement with an initial termination date of May 3, 2024; provided, however, that the Company may extend the termination date by six months on up to two occasions. On May 12, 2023, the Company borrowed €1.3 billion of Euro term loans under the Euro Credit Agreement. Proceeds from the borrowing were used for general corporate purposes, including the repayment of outstanding debt. Any loan under the Euro Credit Agreement may not be re-borrowed once repaid, in full or in part, and will bear interest at a per annum rate equal to the applicable EURIBOR (adjusted for any statutory reserves) plus 0.75% for the interest period selected by the Company of one, three or six months. As of March 31, 2024 December 31, 2023, the Company had €1.3 billion outstanding under the Euro Credit Agreement, with an interest rate of 4.61%, which was included in Long-term debt as the Company exercised its first option during the first quarter of 2024 and intends intended to exercise its second options to extend the termination date. The first option to extend the termination date, date was exercised in the first quarter of 2024. On May 22, 2024, the Company repaid €550 million of the term loans under the Euro Credit Agreement using a portion of the proceeds from the Euro notes issued on May 17, 2024, as discussed below. As of June 30, 2024, the Company had €750 million remaining outstanding under the Euro Credit Agreement with an interest rate of 4.35%.

On May 17, 2024, the Company issued €650 million of 3.25% Euro notes due May 17, 2028 at 99.525% of face value and €850 million of 3.375% Euro notes due May 17, 2032 at 99.072% of face value. Proceeds from the issuance were used for general corporate purposes, including the repayment of a portion of the indebtedness under the commercial paper program and the Euro Credit Agreement.

The Company also has a \$3.0 billion revolving credit facility with a termination date of October 21, 2027, which is available to provide additional liquidity, including to support the potential issuances of commercial paper. No amounts were outstanding under the revolving credit facility as of March 31, 2024 June 30, 2024 or December 31, 2023.

Total Debt to EBITDA

The Company uses the ratio of total debt to EBITDA as a measure of its ability to repay its outstanding debt obligations. EBITDA and the ratio of total debt to EBITDA are non-GAAP financial measures. The Company believes that total debt to EBITDA is a meaningful metric to investors in evaluating the Company's long term financial liquidity and may be different than the method used by other companies to calculate total debt to EBITDA. The ratio of total debt to EBITDA represents total debt divided by net income before interest expense, other income (expense), income taxes, depreciation, and amortization and impairment of intangible assets on a trailing twelve month basis. Total debt to EBITDA for the trailing twelve month periods ended March 31, 2024 June 30, 2024 and December 31, 2023 was as follows:

Dollars in millions	Dollars in millions	March 31, 2024	December 31, 2023	Dollars in millions	June 30, 2024	December 31, 2023
Total debt						
Net income						
Net income						
Net income						
Add:						
Interest expense						
Interest expense						
Interest expense						
Other (income) expense						
Income taxes						
Depreciation						
Amortization and impairment of intangible assets						
EBITDA						
Total debt to EBITDA ratio						

Stockholders' Equity



The changes to stockholders' equity during the **three** **six** months ended 2024 were as follows:

**In millions**

Total stockholders' equity, December 31, 2023	\$	3,013
Net income		<b>819</b> 1,578
Repurchases of common stock		<b>(375)</b> (750)
Dividends declared		<b>(418)</b> (834)
Other comprehensive income (loss)		<b>(50)</b> (91)
Other, net		<b>32</b> 46
Total stockholders' equity, <b>March 31, 2024</b> <b>June 30, 2024</b>	\$	<b>3,021</b> 2,962

**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "believe," "expect," "plans," "intend," "may," "strategy," "prospects," "estimate," "will," "should," "could," "project," "target," "anticipate," "guidance," "forecast," and other similar words, and may include, without limitation, statements regarding the duration and potential effects of global supply chain challenges and the Company's strategy in response thereto on the Company's business, future financial and operating performance, free cash flow, economic and regulatory conditions in various geographic regions including inflation, the impact of foreign currency fluctuations, the timing and amount of benefits from the Company's enterprise strategy initiatives, the timing and amount of dividends and share repurchases, the protection of the Company's intellectual property, the likelihood of future goodwill or intangible asset impairment charges, the impact of adopting new accounting pronouncements, the adequacy of internally generated funds and credit facilities to service debt and finance the Company's capital allocation priorities, the sufficiency of U.S. **generated** **generated** cash to fund cash requirements in the U.S., the cost and availability of additional financing, the availability of raw materials and energy and the impact of raw material cost inflation, the Company's portion of future benefit payments related to pension and other postretirement benefits, the Company's information technology infrastructure, potential acquisitions and divestitures and the expected performance of acquired businesses and impact of divested businesses, the impact of U.S. and global tax legislation and the estimated timing and amount related to the resolution of tax matters, the cost of compliance with environmental regulations, the impact of failure of the

Company's employees to comply with applicable laws and regulations, and the outcome of outstanding legal proceedings. These statements are subject to certain risks, uncertainties, and other factors, which could cause actual results to differ materially from those anticipated. Important risks that may influence future results include (1) weaknesses or downturns in the markets served by the Company, (2) changes or deterioration in international and domestic political and economic conditions, such as the Russia and Ukraine conflict or U.S.-China trade relations and the impact of related economic and other sanctions, (3) the unfavorable impact of foreign currency fluctuations, (4) the Company's enterprise strategy initiatives may not have the desired impact on organic revenue growth, (5) market conditions and cost and availability of financing to fund the Company's share repurchases, (6) a delay or decrease in the introduction of new products into the Company's product lines, (7) any failure to protect the Company's intellectual property, (8) potential negative impact of impairments to goodwill and other intangible assets on the Company's return on invested capital, financial condition or results of operations, (9) raw material price increases and supply shortages or delays, (10) financial market risks to the Company's obligations under its defined benefit pension plans, (11) negative effects of service interruptions, data corruption, cyber-based attacks, security breaches of our technology networks and systems or those of our vendors and third-party service providers, or violations of data privacy laws, (12) the potential negative impact of acquisitions on the Company's profitability and returns, (13) potential negative effects of divestitures, including retained liabilities and unknown contingent liabilities, (14) impact of tax legislation and regulatory action and changing tax rates, (15) potential adverse outcomes in legal proceedings or enforcement actions, (16) uncertainties related to environmental regulation and the physical risks of climate change, (17) potential failure of the Company's employees, agents or business partners to comply with anti-bribery, competition, import/export, trade sanctions, data privacy, human rights and other laws, (18) public health crises and related government actions, and (19) increases in inflation or interest rates and the possibility of economic recession. A more detailed description of these risks is contained under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. These risks are not all inclusive and given these and other possible risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Any forward-looking statements made by ITW speak only as of the date on which they are made. ITW is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, subsequent events or otherwise, except as required by law.

ITW practices fair disclosure for all interested parties. Investors should be aware that while ITW regularly communicates with securities analysts and other investment professionals, it is against ITW's policy to disclose to them any material non-public information or other confidential commercial information. Investors should not assume that ITW agrees with any statement or report issued by any analyst irrespective of the content of the statement or report.

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes to exposures to market risk as reported in the Company's 2023 Annual Report on Form 10-K.

**ITEM 4. Controls and Procedures**

The Company's management, with the participation of the Company's President & Chief Executive Officer and Senior Vice President & Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of **March 31, 2024** **June 30, 2024**. Based on such evaluation, the Company's President & Chief Executive Officer and Senior Vice President & Chief Financial Officer have concluded that, as of **March 31, 2024** **June 30, 2024**, the Company's disclosure controls and procedures were effective.

In connection with the evaluation by management, including the Company's President & Chief Executive Officer and Senior Vice President & Chief Financial Officer, no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the quarter ended **March 31, 2024** **June 30, 2024** were identified that have



materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

None. The Company's threshold for disclosing environmental legal proceedings involving a governmental authority where potential monetary sanctions are involved is \$1 million.

ITEM 1A. Risk Factors

The Company's business, financial condition, results of operations and cash flows are subject to various risks which could cause actual results to vary materially from recent results or from anticipated future results. Refer to the description of the Company's risk factors previously disclosed in Part I - Item 1A - Risk Factors in the Company's 2023 Annual Report on Form 10-K. There have been no material changes to the risk factors described therein.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 7, 2021, the Company announced a stock repurchase program which provided for the repurchase of up to \$3.0 billion of the Company's common stock over an open-ended period of time (the "2021 Program"). The 2021 Program was completed in the fourth quarter of 2023.

On August 4, 2023, the Company announced a new stock repurchase program which provides for the repurchase of up to an additional \$5.0 billion of the Company's common stock over an open-ended period of time (the "2023 Program"). As of March 31, 2024 June 30, 2024, there were approximately \$4.6 \$4.2 billion of authorized repurchases remaining under the 2023 Program.

Share repurchase activity for the first second quarter of 2024 was as follows:

In millions except per share amounts

Period	Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Value of Shares That May Yet Be Purchased Under Programs	Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Value of Shares That May Yet Be Purchased Under Programs
January 2024										
February 2024										
March 2024										
April 2024										
May 2024										
June 2024										
Total										

ITEM 6. Exhibits

Exhibit Index

Exhibit Number	Exhibit Description
<a href="#">18.4</a>	<a href="#">Preferability Letter Officers' Certificate dated May 17, 2024, establishing the terms, and setting forth the forms, of Independent Registered Public Accounting Firm, 3.250% Notes due 2028 and the 3.375% Notes due 2032, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 17, 2024 (Commission File No. 1-4797) and incorporated herein by reference.</a>
<a href="#">10</a>	<a href="#">Illinois Tool Works Inc. 2024 Long-Term Incentive Plan effective June 30, 2024, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 9, 2024 (Commission File No. 1-4797) and incorporated herein by reference.</a>
<a href="#">31</a>	<a href="#">Rule 13a-14(a) Certifications.</a>
<a href="#">32</a>	<a href="#">Section 1350 Certification.</a>
101	The following financial and related information from the Illinois Tool Works Inc. Quarterly Report on Form 10-Q for the quarter ended <b>March 31, 2024</b> <b>June 30, 2024</b> is formatted in Inline Extensible Business Reporting Language (iXBRL) and submitted electronically herewith: (i) Statement of Income, (ii) Statement of Comprehensive Income, (iii) Statement of Financial Position, (iv) Statement of Changes in Stockholders' Equity, (v) Statement of Cash Flows, and (vi) related Notes to Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ILLINOIS TOOL WORKS INC.

Dated: **May 2, August 1, 2024**

By: /s/ Randall J. Scheuneman

Randall J. Scheuneman

Vice President & Chief Accounting Officer

(Principal Accounting Officer and Duly Authorized Officer)

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**Exhibit 18**

**May 2, 2024**

**Illinois Tool Works Inc.**

**155 Harlem Ave**

**Glenview, IL 60025**

**Dear Sirs/Madams:**

At your request, we have read the description included in your Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended March 31, 2024, of the facts relating to the change in method used to determine the cost of inventory at certain U.S. businesses from the last-in, first-out method to the first-in, first-out method. We believe, on the basis of the facts so set forth and other information furnished to us by appropriate officials of Illinois Tool Works Inc., that the accounting change described in your Form 10-Q is to an alternative accounting principle that is preferable under the circumstances.

We have not audited any consolidated financial statements of Illinois Tool Works Inc. and its subsidiaries as of any date or for any period subsequent to December 31, 2023. Therefore, we are unable to express, and we do not express, an opinion on the facts set forth in the above-mentioned Form 10-Q, on the related information furnished to us by officials of Illinois Tool Works Inc., or on the consolidated statements of financial position and the related statements of income, comprehensive income, changes in stockholders equity, and cash flows of Illinois Tool Works Inc. and its subsidiaries as of any date or for any period subsequent to December 31, 2023.

**Yours truly,**

**/s/ Deloitte & Touche LLP**

**Chicago, IL**

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Rule 13a-14(a) Certification

I, Christopher A. O'Herlihy, certify that:

1. I have reviewed this report on Form 10-Q of Illinois Tool Works Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 2, August 1, 2024

/s/ Christopher A. O'Herlihy  
 Christopher A. O'Herlihy  
 President & Chief Executive Officer

Rule 13a-14(a) Certification

I, Michael M. Larsen, certify that:

1. I have reviewed this report on Form 10-Q of Illinois Tool Works Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 2, August 1, 2024

/s/ Michael M. Larsen

Michael M. Larsen

Senior Vice President & Chief Financial Officer

Exhibit 32

#### Section 1350 Certification

The following statement is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Each of the undersigned hereby certifies that the Quarterly Report on Form 10-Q for the period ended March 31, 2024, June 30, 2024 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Dated: May 2, August 1, 2024

/s/ Christopher A. O'Herlihy

Christopher A. O'Herlihy

President & Chief Executive Officer

Dated: May 2, August 1, 2024

/s/ Michael M. Larsen

Michael M. Larsen

Senior Vice President & Chief Financial Officer

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