

ILLINOIS TOOL WORKS INC
Form 10-Q
May 03, 2019

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, 2019

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

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 No

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 Accelerated filer
 Non-accelerated filer Smaller reporting company
 Emerging growth company

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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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock	ITW	New York Stock Exchange
1.75% Euro Notes due 2022	ITW22	New York Stock Exchange
1.25% Euro Notes due 2023	ITW23	New York Stock Exchange
2.125% Euro Notes due 2030	ITW30	New York Stock Exchange
3.00% Euro Notes due 2034	ITW34	New York Stock Exchange

The number of shares of registrant's common stock, \$0.01 par value, outstanding at March 31, 2019: 325,775,111.

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

In millions except per share amounts	Three Months Ended March 31,	
	2019	2018
Operating Revenue	\$3,552	\$3,744
Cost of revenue	2,059	2,181
Selling, administrative, and research and development expenses	611	612
Amortization and impairment of intangible assets	43	48
Operating Income	839	903
Interest expense	(63)	(66)
Other income (expense)	14	12
Income Before Taxes	790	849
Income Taxes	193	197
Net Income	\$597	\$652
Net Income Per Share:		
Basic	\$1.82	\$1.92
Diluted	\$1.81	\$1.90
Shares of Common Stock Outstanding During the Period:		
Average	327.3	340.2
Average assuming dilution	329.6	342.8

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

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

In millions	Three Months Ended March 31,	
	2019	2018
Net Income	\$597	\$652
Other Comprehensive Income (Loss):		
Foreign currency translation adjustments, net of tax	31	83
Pension and other postretirement benefit adjustments, net of tax	4	9
Comprehensive Income	\$632	\$744

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

Illinois Tool Works Inc. and Subsidiaries
Statement of Financial Position (Unaudited)

In millions except per share amounts	March 31, 2019	December 31, 2018
Assets		
Current Assets:		
Cash and equivalents	\$1,755	\$1,504
Trade receivables	2,715	2,622
Inventories	1,346	1,318
Prepaid expenses and other current assets	259	334
Total current assets	6,075	5,778
Net plant and equipment	1,765	1,791
Goodwill	4,621	4,633
Intangible assets	1,044	1,084
Deferred income taxes	547	554
Other assets	1,274	1,030
	\$15,326	\$14,870
Liabilities and Stockholders' Equity		
Current Liabilities:		
Short-term debt	\$1,760	\$1,351
Accounts payable	568	524
Accrued expenses	1,228	1,271
Cash dividends payable	326	328
Income taxes payable	79	68
Total current liabilities	3,961	3,542
Noncurrent Liabilities:		
Long-term debt	5,981	6,029
Deferred income taxes	727	707
Noncurrent income taxes payable	495	495
Other liabilities	962	839
Total noncurrent liabilities	8,165	8,070
Stockholders' Equity:		
Common stock (par value of \$0.01 per share):		
Issued- 550.0 shares in 2019 and 2018	6	6
Outstanding- 325.8 shares in 2019 and 328.1 shares in 2018		
Additional paid-in-capital	1,255	1,253
Retained earnings	21,488	21,217
Common stock held in treasury	(17,911)	(17,545)
Accumulated other comprehensive income (loss)	(1,642)	(1,677)
Noncontrolling interest	4	4
Total stockholders' equity	3,200	3,258
	\$15,326	\$14,870

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	Additional Common Paid-in Stock Capital	Retained Earnings	Common Stock Held in Treasury	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total
Three Months Ended March 31, 2019:						
Balance at December 31, 2018	\$6\$ 1,253	\$21,217	\$(17,545)	\$ (1,677)	\$ 4	\$3,258
Net income	—	597	—	—	—	597
Common stock issued for share-based compensation	—(8)	—	9	—	—	1
Stock-based compensation expense	—10	—	—	—	—	10
Repurchases of common stock	—	—	(375)	—	—	(375)
Dividends declared (\$1.00 per share)	—	(326)	—	—	—	(326)
Pension and other postretirement benefit adjustments	—	—	—	4	—	4
Currency translation adjustments	—	—	—	31	—	31
Balance at March 31, 2019	\$6\$ 1,255	\$21,488	\$(17,911)	\$ (1,642)	\$ 4	\$3,200
Three Months Ended March 31, 2018:						
Balance at December 31, 2017	\$6\$ 1,218	\$20,210	\$(15,562)	\$ (1,287)	\$ 4	\$4,589
Net income	—	652	—	—	—	652
Adoption of new accounting guidance	—	(370)	—	(45)	—	(415)
Common stock issued for share-based compensation	—(7)	—	7	—	—	—
Stock-based compensation expense	—9	—	—	—	—	9
Repurchases of common stock	—	—	(500)	—	—	(500)
Dividends declared (\$0.78 per share)	—	(264)	—	—	—	(264)
Pension and other postretirement benefit adjustments	—	—	—	9	—	9
Currency translation adjustments	—	—	—	83	—	83
Balance at March 31, 2018	\$6\$ 1,220	\$20,228	\$(16,055)	\$ (1,240)	\$ 4	\$4,163

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

Illinois Tool Works Inc. and Subsidiaries
Statement of Cash Flows (Unaudited)

	Three Months Ended March 31,	
In millions	2019	2018
Cash Provided by (Used for) Operating Activities:		
Net income	\$597	\$652
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	67	67
Amortization and impairment of intangible assets	43	48
Change in deferred income taxes	22	(5)
Provision for uncollectible accounts	2	1
(Income) loss from investments	(7)	(3)
(Gain) loss on sale of plant and equipment	—	(1)
(Gain) loss on sale of operations and affiliates	2	—
Stock-based compensation expense	10	9
Other non-cash items, net	4	4
Change in assets and liabilities, net of acquisitions and divestitures:		
(Increase) decrease in-		
Trade receivables	(106)	(192)
Inventories	(32)	(68)
Prepaid expenses and other assets	(22)	(29)
Increase (decrease) in-		
Accounts payable	48	55
Accrued expenses and other liabilities	(99)	(90)
Income taxes	87	90
Net cash provided by operating activities	616	538
Cash Provided by (Used for) Investing Activities:		
Acquisition of businesses (excluding cash and equivalents) and additional interest in affiliates	(4)	—
Additions to plant and equipment	(77)	(94)
Proceeds from investments	7	5
Proceeds from sale of plant and equipment	2	2
Other, net	—	(2)
Net cash provided by (used for) investing activities	(72)	(89)
Cash Provided by (Used for) Financing Activities:		
Cash dividends paid	(328)	(266)
Issuance of common stock	11	10
Repurchases of common stock	(375)	(500)
Net proceeds from (repayments of) debt with original maturities of three months or less	1,058	(840)
Repayments of debt with original maturities of more than three months	(650)	—
Other, net	(11)	(12)
Net cash provided by (used for) financing activities	(295)	(1,608)
Effect of Exchange Rate Changes on Cash and Equivalents	2	5
Cash and Equivalents:		
Increase (decrease) during the period	251	(1,154)
Beginning of period	1,504	3,094
End of period	\$1,755	\$1,940

Supplementary Cash Flow Information:

Cash Paid During the Period for Interest	\$63	\$65
Cash Paid During the Period for Income Taxes, Net of Refunds	\$84	\$113
Cash Paid During the Period for Lease Liabilities	\$19	
Right-of-Use Assets Obtained in Exchange for Lease Liabilities	\$6	

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

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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. 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 2018 Annual Report on Form 10-K. Certain reclassifications of prior year data have been made to conform with current year reporting.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance to change the criteria for revenue recognition. The core principle of the new guidance is that revenue should be recognized to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, expanded revenue disclosures are required. The Company's sales arrangements with customers are predominantly short-term in nature and generally provide for transfer of control and risks and rewards of ownership at the time of product shipment or delivery of service. As such, the timing of revenue recognition under both the prior and new guidance is the same for the majority of the Company’s transactions. Effective January 1, 2018, the Company adopted the new revenue recognition guidance under the modified retrospective method and recorded a cumulative-effect adjustment reducing retained earnings by \$9 million as of January 1, 2018.

In February 2016, the FASB issued authoritative guidance to change the criteria for recognizing leasing transactions. The primary change under the new guidance is that a lessee is required to recognize a lease liability and corresponding right-of-use asset for its operating leases. The new guidance also requires additional disclosures. Effective January 1, 2019, the Company adopted the new guidance prospectively for all operating lease transactions as of and after the effective date with a noncancellable lease term greater than one year. Upon adoption, the Company recorded a lease liability of \$205 million and a corresponding right-of-use asset. The new guidance did not have a material impact on the results of operations or cash flows for the three months ended March 31, 2019. Refer to Note 5. Leases for additional information regarding the Company’s lease transactions.

In October 2016, the FASB issued authoritative guidance requiring the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs rather than when transferred to a third party as required under the prior guidance. The provisions of the new guidance are being applied prospectively to intra-entity asset transfers on or after January 1, 2018 and may result in future tax rate volatility. Upon adoption of the new guidance on January 1, 2018, the Company recorded a cumulative-effect adjustment reducing deferred tax assets and retained earnings by \$406 million.

In August 2017, the FASB issued authoritative guidance which includes targeted improvements to simplify the application of hedge accounting and improve financial reporting of hedging activities. Effective January 1, 2019, the Company adopted the new guidance which did not have a material impact on the results of operations, financial position or cash flows.

In February 2018, the FASB issued authoritative guidance which allows for an optional one-time reclassification of the stranded tax effects resulting from the change in the U.S. federal corporate income tax rate under the "Tax Cuts and Jobs Act" (the "Act") from accumulated other comprehensive income ("AOCI") to retained earnings. The

guidance was effective January 1, 2019, with early adoption permitted. The Company elected to early adopt this guidance as of January 1, 2018 and to reclassify the stranded tax effects related to the Act, which resulted in an increase of \$45 million to both retained earnings and accumulated other comprehensive loss.

(2) Operating Revenue

The Company's 87 diversified operating divisions are organized and managed based on similar product categories 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 months ended March 31, 2019 and 2018 was as follows:

In millions	Three Months Ended March 31,	
	2019	2018
Automotive OEM	\$806	\$901
Food Equipment	518	527
Test & Measurement and Electronics	524	543
Welding	427	423
Polymers & Fluids	416	442
Construction Products	401	428
Specialty Products	465	485
Intersegment revenue	(5)	(5)
Total	\$3,552	\$3,744

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 institutional/restaurant and food retail 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.

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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, industrial capital goods, automotive original equipment manufacturers and tiers, 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 and related consumable solder materials;
- 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.

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

- arc welding equipment;
- metal arc welding consumables and related accessories; and
- metal jacketing and other insulation products.

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, MRO and construction 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, printing and publishing and industrial capital goods markets. Products in this segment include:

- line integration, 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.

(3) Income Taxes

The Company's effective tax rate for the three months ended March 31, 2019 and 2018 was 24.4% and 23.2%, respectively. The first quarter 2019 effective tax rate was higher primarily as a result of a discrete tax benefit of \$14 million related to foreign tax credits in the first quarter of 2018. Additionally, the effective tax rate for both periods included discrete income tax benefits related to excess tax benefits from stock-based compensation of \$5 million and \$6 million in 2019 and 2018, respectively.

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 ("IRS"), Her 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. Due to the ongoing audits, 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 \$36 million related predominantly to various intercompany transactions. The Company has recorded its best estimate of the potential exposure for these issues.

(4) Inventories

Inventories as of March 31, 2019 and December 31, 2018 were as follows:

In millions	March 31, 2019	December 31, 2018
Raw material	\$508	\$ 523
Work-in-process	171	161
Finished goods	755	731
LIFO reserve	(88)	(97)
Total inventories	\$1,346	\$ 1,318

(5) Leases

Effective January 1, 2019, the Company adopted the new lease accounting guidance which requires the recognition of a lease liability and corresponding right-of-use asset at inception for all operating leases with a noncancellable lease term of greater than one year. The new guidance did not change the recognition of rental expense for operating leases which is recognized on a straightline basis over the noncancellable lease term based on the minimum lease payments at lease inception. Changes in rent subsequent to commencement that were not included in minimum lease payments at inception are recognized as variable rent in the period incurred.

The Company's lease transactions are primarily for the use of facilities, vehicles and equipment under operating lease arrangements. Total rental expense for operating leases for the three months ended March 31, 2019 was \$29 million which included \$19 million related to capitalized operating leases and \$10 million related to short-term operating leases and variable lease payments. Short-term operating leases have original terms of one year or less, or can be terminated at the Company's option with a short notice period and without significant penalty, and are not capitalized. The right-of-use asset related to operating leases was \$223 million as of March 31, 2019 and was included in Other assets. As of March 31, 2019, the current portion of the lease liability for operating leases was \$55 million and was included in Accrued expenses, and the long-term portion was \$138 million and was included in Other liabilities. Future maturities of operating lease liabilities for the years ended December 31 are as follows:

In millions

April 1, 2019 through December 31, 2019	\$45
2020	50
2021	34
2022	25
2023	18
2024 and future years	34
Total future minimum lease payments	206
Less: Imputed interest	(13)
Operating lease liability	193
Less: Current portion of operating lease liability	(55)
Long-term portion of operating lease liability	\$138

As of March 31, 2019, operating leases included in the lease liability had a weighted average remaining lease term of 4.8 years and a weighted average discount rate of 2.63% based on the incremental borrowing rate of the Company and its subsidiaries.

As of December 31, 2018, minimum lease payments under operating leases with noncancellable terms in excess of one year for the years ending December 31 were as follows:

In millions

2019	\$67
2020	48
2021	32
2022	24
2023	18
2024 and future years	34
Total future minimum lease payments	\$223

(6) Pension and Other Postretirement Benefits

Pension and other postretirement benefit costs for the three months ended March 31, 2019 and 2018 were as follows:

In millions	Three Months Ended March 31,			
	Pension		Other Postretirement Benefits	
	2019	2018	2019	2018
Components of net periodic benefit cost:				
Service cost	\$13	\$15	\$ 2	\$ 2
Interest cost	20	18	5	5
Expected return on plan assets	(30)	(32)	(6)	(6)
Amortization of actuarial loss (gain)	5	11	—	(1)
Total net periodic benefit cost	\$8	\$12	\$ 1	\$ —

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 \$30 million to its pension plans and \$5 million to its other postretirement benefit plans in 2019. As of March 31, 2019, contributions of \$14 million to pension plans and \$1 million to other postretirement benefit plans have been made.

(7) Debt

Short-term debt as of March 31, 2019 included \$1.1 billion of commercial paper and \$700 million related to the 6.25% notes due April 1, 2019. As of December 31, 2018, short-term debt included \$650 million related to the 1.95% notes due March 1, 2019 and \$700 million related to the 6.25% notes due April 1, 2019, both of which were repaid on the due date. There was no commercial paper outstanding as of December 31, 2018.

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, 2019 and December 31, 2018 were as follows:

In millions	March 31, 2019	December 31, 2018
Fair value	\$7,201	\$ 7,665
Carrying value	6,681	7,379

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.

(8) Accumulated Other Comprehensive Income (Loss)

The following table summarizes changes in Accumulated other comprehensive income (loss) for the three months ended March 31, 2019 and 2018:

In millions	Three Months Ended	
	March 31, 2019	2018
Beginning balance	\$(1,677)	\$(1,287)
Adoption of new accounting guidance related to reclassification of certain tax effects	—	(45)
Foreign currency translation adjustments during the period	43	69
Income taxes	(12)	14
Total foreign currency translation adjustments, net of tax	31	83
Pension and other postretirement benefit adjustments during the period	—	1
Pension and other postretirement benefit adjustments reclassified to income	5	10
Income taxes	(1)	(2)
Total pension and other postretirement benefit adjustments, net of tax	4	9
Ending balance	\$(1,642)	\$(1,240)

Effective January 1, 2018, the Company elected to early adopt new accounting guidance related to the stranded tax effects resulting from the change in the U.S. federal corporate income tax rate under the "Tax Cuts and Jobs Act" (the "Act") and reclassified \$45 million of stranded income tax effects from Accumulated other comprehensive income (loss) to Retained earnings. Refer to Note 1. Significant Accounting Policies for additional information.

Pension and other postretirement benefit adjustments reclassified to income relate to the amortization of actuarial losses. Refer to Note 6. Pension and Other Postretirement Benefits for additional information.

The Company designated the €1.0 billion of Euro notes issued in May 2015 and the €1.0 billion of Euro notes issued in May 2014 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. The carrying values of the 2015 and 2014 Euro notes were \$1.1 billion and \$1.1 billion, respectively, as of March 31, 2019. 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). The unrealized pre-tax gain recorded in Accumulated other comprehensive income (loss) related to the net investment hedge was \$237 million and \$187 million as of March 31, 2019 and December 31, 2018, respectively.

The ending balance of Accumulated other comprehensive income (loss) as of March 31, 2019 and 2018 consisted of cumulative translation adjustment losses, net of tax, of \$1.3 billion and \$902 million, respectively, and unrecognized pension and other postretirement benefits costs, net of tax, of \$360 million and \$338 million, respectively.

(9) 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 87 divisions in 55 countries. As of December 31, 2018, the Company employed approximately 48,000 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. This business model is the Company's competitive advantage and defines how ITW creates value for its shareholders and comprises 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 subsequently creating unique solutions to address those needs. These customer insights and learnings drive innovation at ITW and have contributed to a portfolio of approximately 18,000 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

In late 2012, ITW began its strategic framework transitioning the Company on its current path to fully leverage the compelling performance potential of the ITW Business Model. Since then, ITW has made considerable progress in its path to full potential.

The roots of ITW's Enterprise Strategy began in late 2011 / early 2012, when 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, ITW developed a strategy to replicate that performance across its operations.

Based on this rigorous evaluation, ITW determined that solid and consistent above-market organic growth must be the core growth engine to deliver world-class financial performance and compelling long-term returns for its shareholders. To shift its primary growth engine to organic, the Company began executing a multi-step approach.

The first step was to narrow the focus and improve the quality of ITW's business portfolio. 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.

As a result of this work, ITW's business portfolio now has significantly higher organic growth potential. ITW segments and divisions now possess attractive and differentiated product lines and end markets as they continue to improve operating margins and generate price/cost increases. The Company achieved this through product line simplification, or eliminating the complexity and overhead costs associated with smaller product lines and customers, while supporting and growing the businesses' largest / most profitable customers and product lines.

Step two, Business Structure Simplification, was implemented to simplify and scale-up ITW's operating structure to support increased engineering, marketing, and sales resources, and, at the same time, improve global reach and competitiveness, all of which were critical to driving accelerated organic growth. ITW now has 87 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. The Company's 80/20-enabled sourcing organization has delivered an average of one percent reduction in spend each year from 2013 through 2018 and is on track to do the same in 2019.

With the initial portfolio realignment and scale-up work largely complete, the Company has shifted its focus to preparing for and accelerating organic growth, reapplying the 80/20 Front-to-Back process to optimize its newly scaled-up divisions for growth, first, to build a foundation of operational excellence, and second, to identify the best opportunities to drive organic growth.

ITW has clearly demonstrated 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.

PATH TO FULL POTENTIAL - FINISHING THE JOB

Since the launch of the enterprise strategy, the Company has made considerable progress to position itself to reach full potential. The ITW Business Model and unique set of capabilities are a source of strong and enduring competitive advantage, but for the Company to truly reach its full potential over the next five years, every one of its divisions must also be operating at its full potential. To do so, the Company remains focused on three key areas to finish the job of positioning ITW to perform to its full potential:

- Portfolio discipline
- 80/20 Front-to-Back practice excellence
- Full-potential 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 diverse end markets and geographies which makes the Company more resilient in the face of uncertain or volatile market environments.

80/20 Front-to-Back Practice Excellence

The 80/20 Front-to-Back process is a rigorous, iterative and highly data-driven approach to identify where the Company has true differentiation and the ability to drive sustainable, high-quality organic growth. The Company simplifies and eliminates complexity and redesigns every aspect of its business to ensure focused execution on key opportunities, markets, customers,

and products. ITW will continue its efforts to drive 80/20 Front-to-Back practice excellence in every division in the Company, every day.

Full-potential Organic Growth

Reaching full potential means that every division is positioned for sustainable, high-quality organic growth. The Company has clearly defined action plans aimed at leveraging the performance power of the ITW Business Model to achieve full-potential organic growth in every division. At the same time, the Company consistently reviews its portfolio, assesses businesses that are growth-challenged and evaluates if further portfolio refinements may be needed. The Company is currently exploring options, including potential divestitures, for certain businesses with revenues totaling up to \$1 billion. If a decision is made to divest any of these businesses, the Company expects that earnings per share dilution would be offset by incremental share repurchases.

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 2018 Annual Report on Form 10-K.

CONSOLIDATED RESULTS OF OPERATIONS

The Company delivered solid financial results in the first quarter 2019 despite a challenging environment, with a slower than expected start to the quarter that improved as the quarter progressed. As expected, the quarter was negatively impacted by foreign currency translation, accelerated restructuring expenses, one less shipping day and a higher effective tax rate as compared to the prior year. The Company continued to execute well on enterprise initiatives and all segments had operating margins above 20% in the first quarter of 2019.

The Company does not believe that tariffs imposed in the past year have had a material impact on its operating results. The Company will continue to evaluate the impact of enacted and proposed tariffs on its businesses, as well as pricing actions to mitigate the impact of any raw material cost increases resulting from these tariffs.

The Company's consolidated results of operations for the first quarter of 2019 and 2018 were as follows:

Three Months Ended	Components of Increase (Decrease)
Dollars in millions March 31,	

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	2019	2018	Inc (Dec)	Organic	Acquisition/Divestiture	Restructuring	Foreign Currency	Total
Operating revenue	\$3,552	\$3,744	(5.1)%	(1.5)%	(0.2)%	—	(3.4)%	(5.1)%
Operating income	\$839	\$903	(7.1)%	(0.9)%	—	(2.7)%	(3.5)%	(7.1)%
Operating margin %	23.6 %	24.1 %	(50) bps	20 bps	—	(70) bps	—	(50) bps

Operating revenue declined in the first quarter primarily due to the unfavorable effect of foreign currency translation and lower organic revenue.

Organic revenue decreased 1.5% primarily driven by a 6.4% decline in the Automotive OEM segment due to lower automotive production. Excluding the impact of one less shipping day in the quarter, organic revenue growth was flat. Product line simplification activities reduced organic revenue by 70 basis points.

Europe, Middle East and Africa organic revenue declined 2.0% primarily driven by the Automotive OEM, Specialty Products and Welding segments.

Asia Pacific organic revenue decreased 3.4% as a decline in five segments was partially offset by growth in the Welding and Polymers & Fluids segments.

North American organic revenue decreased 0.7% as a decline in the Automotive OEM, Construction Products and Polymers & Fluids segments was partially offset by growth in four segments.

Operating income of \$839 million decreased 7.1% as compared to the prior year primarily driven by the unfavorable effect of foreign currency translation and higher restructuring expenses.

Operating margin of 23.6% decreased 50 basis points. Excluding the unfavorable impact of higher restructuring expenses of 70 basis points, operating margin increased 20 basis points. The benefits of the Company's enterprise initiatives that contributed 100 basis points were partially offset by negative operating leverage of 30 basis points, unfavorable price/cost of 10 basis points and higher employee-related expenses.

The effective tax rate for the first quarter of 2019 was 24.4% compared to 23.2% in 2018. The first quarter 2019 effective tax rate was higher primarily as a result of a discrete tax benefit of \$14 million related to foreign tax credits in the first quarter of 2018. Additionally, the effective tax rate included discrete income tax benefits of \$5 million and \$6 million in 2019 and 2018, respectively, related to excess tax benefits from stock-based compensation.

Diluted earnings per share (EPS) of \$1.81 for the first quarter of 2019 included \$0.16 of headwinds compared to the prior year related to unfavorable foreign currency translation, accelerated restructuring expenses and a higher effective tax rate.

Free cash flow was \$539 million for the first quarter of 2019, an increase of 21.4% compared to the prior year. Refer to the Cash Flow section of Liquidity and Capital Resources for a reconciliation of this non-GAAP measure.

The Company repurchased approximately 2.7 million shares of its common stock in the first quarter of 2019 for approximately \$375 million.

Total cash dividends of \$328 million were paid in the first quarter of 2019.

Adjusted after-tax return on average invested capital was 27.7% for the first quarter. Refer to the Adjusted After-Tax Return on Average Invested Capital section of Liquidity and Capital Resources for a reconciliation of this non-GAAP measure.

RESULTS OF OPERATIONS BY SEGMENT

Total operating revenue and operating income for the first quarter of 2019 and 2018 were as follows:

Dollars in millions	Three Months Ended March 31,			
	Operating Revenue		Operating Income	
	2019	2018	2019	2018
Automotive OEM	\$806	\$901	\$167	\$217
Food Equipment	518	527	129	130
Test & Measurement and Electronics	524	543	126	127
Welding	427	423	120	117
Polymers & Fluids	416	442	89	92
Construction Products	401	428	87	95
Specialty Products	465	485	123	130
Intersegment revenue	(5)	(5)	—	—
Unallocated	—	—	(2)	(5)
Total	\$3,552	\$3,744	\$839	\$903

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.

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 quarter of 2019 and 2018 were as follows:

	Three Months Ended			Components of Increase (Decrease)					Total
	March 31, 2019	March 31, 2018	Inc (Dec)	Organic	Acquisition/Divestiture	Restructuring	Foreign Currency		
Operating revenue	\$806	\$901	(10.5)%	(6.4)%	—%	—	(4.1)%	(10.5)%	
Operating income	\$167	\$217	(23.3)%	(12.7)%	—%	(7.0)	(3.6)%	(23.3)%	
Operating margin %	20.6%	24.1%	(350) bps	(160) bps	—	(190) bps	—	(350) bps	

Operating revenue decreased due to lower organic revenue and the unfavorable effect of foreign currency translation. Organic revenue declined 6.4% versus worldwide auto builds which declined 7%. Auto builds for North America, Europe and China, where the Company has higher content, declined 8% in the quarter. Product line simplification activities reduced organic revenue by 110 basis points.

North American organic revenue decreased 6.0% compared to North American auto builds which decreased 2% due to customer mix. Auto builds for the Detroit 3, where the Company has higher content, decreased 6%.

European organic revenue declined 7.4% compared to European auto builds which declined 5% due to customer mix. Organic revenue was negatively impacted by the new emissions testing requirements in Europe which were implemented last year and resulted in automotive production disruption.

Asia Pacific organic revenue decreased 4.9%. China organic revenue declined 7.9% versus Chinese auto builds which declined 13%.

Operating margin was 20.6%. The decrease of 350 basis points was primarily driven by higher restructuring expenses of 190 basis points, unfavorable price/cost of 110 basis points, negative operating leverage of 100 basis points and product mix, partially offset by benefits from the Company's enterprise initiatives.

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 institutional/restaurant and food retail 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.

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The results of operations for the Food Equipment segment for the first quarter of 2019 and 2018 were as follows:

Dollars in millions	Three Months Ended			Components of Increase (Decrease)				
	March 31, 2019	March 31, 2018	Inc (Dec)	Organic	Acquisition/Divestiture	Restructuring	Foreign Currency	Total
Operating revenue	\$518	\$527	(1.7)%	1.7%	—%	—	(3.4)%	(1.7)%
Operating income	\$129	\$130	(0.3)%	6.1%	—%	(3.3)	(3.1)%	(0.3)%
Operating margin %	24.9%	24.6%	30 bps	110 bps	—	(80) bps	—	30 bps

Operating revenue decreased due to the unfavorable effect of foreign currency translation, partially offset by higher organic revenue.

Organic revenue increased 1.7% as equipment organic revenue was flat and service organic revenue increased 4.1%. North American organic revenue increased 1.6%. Equipment organic revenue was flat as higher end market demand in food retail was offset by lower end market demand in food service. Service organic revenue grew 4.1%.

International organic revenue increased 1.9%. Equipment organic revenue grew 0.8% primarily due to higher demand in the European warewash and cooking end markets, partially offset by lower end market demand in Asia Pacific refrigeration. Service organic revenue increased 4.2%.

Operating margin of 24.9% increased 30 basis points primarily due to benefits from the Company's enterprise initiatives, positive operating leverage of 40 basis points and favorable price/cost of 30 basis points, partially offset by higher restructuring expenses of 80 basis points and higher employee-related expenses.

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, industrial capital goods, automotive original equipment manufacturers and tiers, 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 and related consumable solder materials;
- 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 quarter of 2019 and 2018 were as follows:

Dollars in millions	Three Months Ended			Components of Increase (Decrease)				
	March 31, 2019	March 31, 2018	Inc (Dec)	Organic	Acquisition/Divestiture	Restructuring	Foreign Currency	Total
Operating revenue	\$524	\$543	(3.6)%	(0.5)%	—%	—	(3.1)%	(3.6)%
Operating income	\$126	\$127	(0.8)%	3.0%	—%	(0.9)	(2.9)%	(0.8)%

Operating margin % 24.1 % 23.4 % 70 bps 90 bps — (20) bps — 70 bps

Operating revenue decreased due to the unfavorable effect of foreign currency translation and lower organic revenue.

Organic revenue decreased 0.5%.

Organic revenue for the test and measurement businesses decreased 2.0% primarily due to lower semi-conductor end market demand in North America which had a challenging comparable in the prior year period

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of 17.0% organic revenue growth. Instron, where demand is more closely tied to the capital spending environment, had organic revenue growth of 2.6%.

Electronics organic revenue grew 1.2%. The other electronics businesses, which include the contamination control, static control and pressure sensitive adhesives businesses, grew 2.1% primarily due to growth in North America. The electronics assembly businesses were flat as lower demand in Asia was offset by higher demand in North American end markets.

Operating margin of 24.1% increased 70 basis points primarily due to benefits from the Company's enterprise initiatives and favorable price/cost of 10 basis points, partially offset by higher restructuring expenses.

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

- arc welding equipment;
- metal arc welding consumables and related accessories; and
- metal jacketing and other insulation products.

The results of operations for the Welding segment for the first quarter of 2019 and 2018 were as follows:

Dollars in millions	Three Months Ended			Components of Increase (Decrease)						
	March 31,		Inc	Organic	Acquisition/Divestiture	Restructuring	Foreign Currency	Total		
2019	2018	(Dec)								
Operating revenue	\$427	\$423	1.0	% 2.8	%(0.5)%	—	% (1.3)% 1.0	%
Operating income	\$120	\$117	2.4	% 3.8	%(0.1)%	(0.7)% (0.6)% 2.4	%
Operating margin	% 28.1	% 27.7	% 40 bps	30 bps	10 bps		(20) bps	20 bps	40 bps	

Operating revenue increased due to higher organic revenue, partially offset by the unfavorable effect of foreign currency translation and a divestiture.

Organic revenue grew 2.8%. Growth in equipment of 2.6% and consumables of 3.2% was primarily driven by stronger demand in the industrial and commercial end markets.

North American organic revenue increased 2.6% primarily due to 3.0% and 4.8% growth in the industrial and commercial end markets, respectively, partially offset by a decline in the oil and gas end markets.

International organic revenue increased 3.8% primarily due to higher demand in Asia in the commercial and oil and gas end markets.

- Operating margin was 28.1%. The increase of 40 basis points was primarily due to benefits from the Company's enterprise initiatives, favorable price/cost of 100 basis points and positive operating leverage of 60 basis points, partially offset by product mix and higher employee-related expenses.

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, MRO and construction 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;