GLENVIEW, Ill., Oct. 21, 2013 /PRNewswire/ -- Illinois Tool Works Inc. (NYSE: ITW) today reported third quarter diluted earnings per share (EPS) from continuing operations of $0.90 , two cents higher than the midpoint of the Company's forecast. As noted in the Company's September 24, 2013 announcement, the third quarter forecasted EPS midpoint of $0.88 included a $0.14 reduction from the Industrial Packaging segment moving to discontinued operations and a $0.09

reduction related to a discrete tax charge.

Highlights for 2013 third quarter results versus the prior-year period included:

*Total Company operating revenues were $3.6 billion while operating income was $678 million. Excluding the impact of Decorative Surfaces 2012 results, total Company operating revenues grew 2.9 percent and operating income increased 8.4 percent. Organic revenues grew 0.4 percent, with international organic revenues growing 2.9 percent and North American organic revenues declining 1.4 percent. Internationally, Asia Pacific organic revenues grew 6.9 percent, with China organic revenues increasing 21.5 percent. In addition, European organic revenues grew 1.0 percent. The Company was faced with a difficult year-over-year comparison in its electronics assembly platform, which negatively impacted total Company organic revenue growth by 2.5 percent. Reconciliations of GAAP to Non-GAAP results, which exclude the 2012 impact of the divested Decorative Surfaces segment, are included in the attached exhibits.

*By segment, highlights included:

- Automotive OEM's organic revenues increased 11.5 percent, with strong growth across all regions. By comparison, worldwide auto builds increased 4 percent in the quarter. Automotive OEM operating margins improved 200 basis points to 21.1 percent.
- Food Equipment's organic revenues grew 4.4 percent, with across-the-board contributions from the North American and international equipment and service businesses. Food Equipment operating margins improved 90 basis points to 19.9 percent.
- Construction Products organic revenues increased 3.3 percent due to 9.3 percent organic revenue growth in North America. Operating margins improved 250 basis points to 16.2 percent.

"We were pleased with our financial performance in the quarter and the progress we continue to make in executing our Enterprise initiatives," said Scott Santi, president and chief executive officer. "Third quarter operating margins of 19.0 percent were driven by an 80 basis point contribution from our enterprise initiatives. On a year-to-date basis, free cash flow conversion was solidly above 100 percent of net income, and our adjusted after-tax return on average invested capital was 16.3 percent, up 110 basis points versus the same period last year. In addition, we continued to make disciplined, return-oriented decisions with regard to capital allocation. We completed two strategically targeted acquisitions in the quarter, and year-to-date we have returned nearly $1.6 billion to shareholders in the form of share repurchases and dividends."

The Company is now forecasting its full-year diluted income per share from continuing operations to be in a range of $3.56-$3.64. This EPS range assumes a full-year total revenue growth range of 1.0 percent to 2.0 percent. For the 2013 fourth quarter, the Company is forecasting diluted income per share from continuing operations to be in a range of $0.85-$0.93 and assumes a total revenue growth range of 2 percent to 5 percent.

This earnings release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, the amount of expected share repurchases, statements regarding total revenue growth, diluted income per share from continuing operations, operating margin growth, return on invested capital and end market conditions. These statements are subject to certain risks, uncertainties and other factors which could cause actual results to differ materially from those anticipated. Such factors include those contained in ITW's 2012 Form 10-K.

ITW is a Fortune 200 global diversified industrial manufacturer of value added consumables and specialty equipment with related service businesses. The Company focuses on solid growth and strong returns across its worldwide platforms and businesses. The businesses serve local customers and markets around the globe, with a significant presence in developed as well as emerging markets. ITW's adjusted revenues totaled $13.9 billion in 2012, with approximately half of the revenues generated outside of the United States.

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

STATEMENT OF INCOME (UNAUDITED)

Three Months Ended

Nine Months Ended

(In millions except per share amounts)

September 30,

September 30,

2013

2012

2013

2012

Operating Revenues

$

3,568

$

3,733

$

10,581

$

11,307

Cost of revenues

2,148

2,289

6,381

6,957

Selling, administrative, and research and development expenses

676

713

2,126

2,207

Amortization of intangible assets

64

62

186

190

Impairment of goodwill and other intangible assets

2

2

2

2

Operating Income

678

667

1,886

1,951

Interest expense

(60)

(52)

(179)

(152)

Other income (expense)

10

1

67

31

Income from Continuing Operations Before Income Taxes

628

616

1,774

1,830

Income Taxes

222

171

551

518

Income from Continuing Operations

406

445

1,223

1,312

Income from Discontinued Operations

46

79

48

579

Net Income

$

452

$

524

$

1,271

$

1,891

Income Per Share from Continuing Operations:

Basic

$

0.91

$

0.96

$

2.72

$

2.77

Diluted

$

0.90

$

0.95

$

2.70

$

2.75

Income Per Share from Discontinued Operations:

Basic

$

0.10

$

0.17

$

0.11

$

1.23

Diluted

$

0.10

$

0.17

$

0.11

$

1.22

Net Income Per Share:

Basic

$

1.01

$

1.13

$

2.83

$

4.00

Diluted

$

1.01

$

1.12

$

2.81

$

3.97

Shares of Common Stock Outstanding During the Period:

Average

445.9

464.8

449.0

473.2

Average assuming dilution

448.9

468.1

452.1

476.6

FREE OPERATING CASH FLOW

Three Months Ended

Nine Months Ended

September 30,

September 30,

(In millions)

2013

2012

2013

2012

Net cash provided by operating activities

$

811

$

635

$

1,820

$

1,467

Less: Additions to plant and equipment

(79)

(90)

(257)

(274)

Free operating cash flow

$

732

$

545

$

1,563

$

1,193

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(In millions)

September 30, 2013

December 31, 2012

ASSETS

Current Assets:

Cash and equivalents

$

3,018

$

2,779

Trade receivables

2,493

2,742

Inventories

1,308

1,585

Deferred income taxes

391

332

Prepaid expenses and other current assets

421

522

Assets held for sale

1,951

—

Total current assets

9,582

7,960

Net Plant and Equipment

1,667

1,994

Goodwill

4,854

5,530

Intangible Assets

2,121

2,258

Deferred Income Taxes

353

391

Other Assets

1,174

1,176

$

19,751

$

19,309

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Short-term debt

$

1,328

$

459

Accounts payable

616

676

Accrued expenses

1,282

1,392

Cash dividends payable

187

—

Income taxes payable

75

116

Deferred income taxes

59

8

Liabilities held for sale

394

—

Total current liabilities

3,941

2,651

Noncurrent Liabilities:

Long-term debt

3,808

4,589

Deferred income taxes

453

244

Other liabilities

1,081

1,255

Total noncurrent liabilities

5,342

6,088

Stockholders' Equity:

Common stock

6

5

Additional paid-in-capital

1,032

1,012

Income reinvested in the business

14,716

13,973

Common stock held in treasury

(5,584)

(4,722)

Accumulated other comprehensive income

292

293

Noncontrolling interest

6

9

Total stockholders' equity

10,468

10,570

$

19,751

$

19,309

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

GAAP to NON-GAAP RECONCILIATIONS

(In millions except per share amounts)

Three Months Ended

Three Months Ended

September 30, 2013

September 30, 2012

Total Revenue

Operating Income

Operating Margin

Diluted EPS

Total Revenue

Operating Income

Operating Margin

Diluted EPS

Actual Results (GAAP)

$

3,568

$

678

19.0

%

$

0.90

$

3,733

$

667

17.9

%

$

0.95

Discrete tax charge related to foreign earnings

—

—

—

(0.09)

—

—

—

—

Decorative Surfaces operating results

—

—

—

—

267

41

—

0.06

Adjusted Results (Non-GAAP)

$

3,568

$

678

19.0

%

$

0.99

$

3,466

$

626

18.1

%

$

0.89

Q3 2013 Growth vs. 2012 (GAAP)

(4.4)

%

1.8

%

+110 bps

(5.3)

%

Q3 2013 Growth vs. 2012 (Non-GAAP)

2.9

%

8.4

%

+90 bps

11.9

%

(In millions except per share amounts)

Three Months Ended

Twelve Months Ended

December 31, 2012

December 31, 2012

Total Revenue

Operating Income

Diluted EPS

Total Revenue

Operating Income

Diluted EPS

Actual Results (GAAP)

$

3,484

$

524

$

1.99

$

14,791

$

2,475

$

4.72

Decorative Surfaces net gain

—

—

1.37

—

—

1.34

Decorative Surfaces equity interest (2012)

—

—

(0.04)

—

—

(0.04)

Decorative Surfaces operating results

93

12

0.01

921

143

0.21

Adjusted Results (Non-GAAP)

$

3,391

$

512

$

0.65

$

13,870

$

2,332

$

3.21

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

ADJUSTED RETURN ON AVERAGE INVESTED CAPITAL

Three Months Ended

Nine Months Ended

(Dollars in millions)

September 30,

September 30,

2013

2012

2013

2012

Operating income

$

678

$

667

$

1,886

$

1,951

Adjustment for Decorative Surfaces

—

(41)

—

(131)

Adjusted operating income

678

626

1,886

1,820

Tax rate (as adjusted for discrete tax charge in 2013)

29.0

%

27.8

%

28.8

%

28.3

%

Taxes

(196)

(174)

(543)

(515)

Adjusted operating income after taxes

$

482

$

452

$

1,343

$

1,305

Invested capital:

Trade receivables

$

2,493

$

3,062

$

2,493

$

3,062

Inventories

1,308

1,760

1,308

1,760

Net plant and equipment

1,667

2,081

1,667

2,081

Goodwill and intangible assets

6,975

7,808

6,975

7,808

Accounts payable and accrued expenses

(1,898)

(2,274)

(1,898)

(2,274)

Net assets held for sale

1,557

—

1,557

—

Other, net

484

767

484

767

Total invested capital

$

12,586

$

13,204

$

12,586

$

13,204

Average invested capital

$

12,560

$

13,260

$

12,648

$

13,241

Adjustment for Decorative Surfaces

(169)

(296)

(170)

(299)

Adjustment for Industrial Packaging

(1,468)

(1,500)

(1,482)

(1,508)

Adjusted average invested capital

$

10,923

$

11,464

$

10,996

$

11,434

Annualized return on average invested capital

17.6

%

15.8

%

16.3

%

15.2

%

Three Months Ended

(Dollars in millions)

September 30, 2013

Income from Continuing Operations Before Income Taxes

Income Taxes

Tax Rate

As reported

$

628

$

222

35.4

%

Discrete tax charge related to foreign earnings

—

(40)

(6.4)

%

As adjusted

$

628

$

182

29.0

%

Nine Months Ended

(Dollars in millions)

September 30, 2013

Income from Continuing Operations Before Income Taxes

Income Taxes

Tax Rate

As reported

$

1,774

$

551

31.1

%

Discrete tax charge related to foreign earnings

—

(40)

(2.3)

%

As adjusted

$

1,774

$

511

28.8

%

ILLINOIS TOOL WORKS INC. and SUBSIDIARIES

SEGMENT DATA (UNAUDITED)

Three Months Ended September 30, 2013

% F(U) vs. prior year

(Dollars in millions)

Total Revenue

Operating Income

Operating Margin

Total Revenue

Organic (Base) Revenue

Operating Margin

Test & Measurement and Electronics

$

555

$

91

16.3

%

(10.9)

%

(11.8)

%

(190)

bps

Automotive OEM

589

124

21.1

%

13.2

%

11.5

%

200

bps

Polymers & Fluids

504

91

18.1

%

(1.1)

%

—

%

220

bps

Food Equipment

542

108

19.9

%

10.4

%

4.4

%

90

bps

Welding

438

111

25.4

%

(1.0)

%

(3.5)

%

90

bps

Construction Products

440

71

16.2

%

1.7

%

3.3

%

250

bps

Specialty Products

510

108

21.1

%

11.4

%

1.9

%

150

bps

Intersegment

(10)

Total Segments

3,568

704

19.7

%

2.9

%

0.4

%

110

bps

Decorative Surfaces

—

—

(100)

%

(100)

%

—

Unallocated

—

(26)

Total Company

$

3,568

$

678

19.0

%

(4.4)

%

0.4

%

110

bps

Nine Months Ended September 30, 2013

% F(U) vs. prior year

(Dollars in millions)

Total Revenue

Operating Income

Operating Margin

Total Revenue

Organic (Base) Revenue

Operating Margin

Test & Measurement and Electronics

$

1,617

$

233

14.4

%

(7.3)

%

(8.3)

%

(100)

bps

Automotive OEM

1,792

367

20.5

%

9.7

%

8.9

%

90

bps

Polymers & Fluids

1,521

259

17.1

%

(3.8)

%

(3.5)

%

120

bps

Food Equipment

1,500

278

18.5

%

4.2

%

1.1

%

130

bps

Welding

1,390

361

26.0

%

(1.2)

%

(3.1)

%

(20)

bps

Construction Products

1,295

180

13.9

%

(0.6)

%

0.1

%

200

bps

Specialty Products

1,497

317

21.2

%

6.7

%

1.3

%

100

bps

Intersegment

(31)

Total Segments

10,581

1,995

18.9

%

1.0

%

(0.6)

%

80

bps

Decorative Surfaces

—

—

(100)

%

(100)

%

—

Unallocated**

—

(109)

Total Company

$

10,581

$

1,886

17.8

%

(6.4)

%

(0.5)

%

50

bps

** Includes 2Q 2013 $34 million pension settlement charge

SOURCE Illinois Tool Works Inc.

RELATED LINKS http://www.itw.com