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Illinois Tool Works, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Robert Wertheimer – Morgan Stanley.

Robert Wertheimer – Morgan Stanley

First question I guess would be whether you have given any guidance to your units or whether they've conveyed up to you sort of what level of business they're trying to size for? It's sort of a question of how much of the downturn is inventory or not but, obviously you can make some cuts that would impair future growth or you can believe that there's no future growth for a while and you can cut deeper. So, I guess that's the question if you're able to address it.

David B. Speer

Rob, we've been at this from a sizing standpoint here for the last three quarters in a number of our businesses and in auto and construction even longer. It's not a perfect science, it's hard to give you a precise answer to your question but clearly as we approached 2009 as I think we've shared with you folks in the past, we were looking at a first quarter that we felt was going to be down 16% in our base businesses and as Ron just told you as he went through the numbers it was closer to 24% so clearly a 50% lower activity level than what we had projected.

So, we entered the year with businesses collectively looking at their own markets but, overall that was what we were expecting so clearly during the quarter we took further restructuring measures as a result of looking at even weaker activity levels. It's hard to predict how weak some of those activity levels will be going forward as John pointed out with the auto data as an example. The first quarter was clearly a significantly lower quarter, the second quarter looks to be somewhat better.

So, sizing the business in this environment is not a very accurate science. I can tell you that we've made adjustments based on what we expect now to be lower operating levels than what we had originally projected for Q2 and frankly, for Q3 and Q4 it's not even appropriate for us to comment at this moment because until we get through Q2 it's hard to predict what those quarters will look like.

But, the last three months we have seen base business declines in the 20% plus categories so the numbers have been similar from January through March although the differences is among segment and between domestic and international have been somewhat different. So, we've clearly spent a significant amount of money in restructuring the last two quarters. Between the fourth quarter last year and the first quarter of this year we've spent over \$60 million and we're targeting to spend another \$60 million during the second quarter.

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