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Operator: Please stand by. Good day and welcome to the Snap-on First Quarter 2019 Results investor conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Sara Verbsky. Please go ahead.

Sara Verbsky: Thank you, Lauren. And good morning, everyone. Thank you for joining us today to review Snap-on's first quarter results which are detailed in our press release issued earlier this morning. We have on the call today Nick Pinchuk, Snap-on's Chief Executive Officer; and Aldo Aldo Pagliari, Snap-on's Chief Financial Officer.

Nick will kick off our call this morning with his perspective on our performance. Aldo will then provide a more detailed review of our financial results. After Nick provides some closing thoughts, we'll take your questions. As usual, we have provided slides to supplement our discussion. These slides can be accessed under the Downloads tab in the webcast viewer, as well as on our Web site snapon.com under the Investors section. These slides will be archived on our Web site, along with a transcript of today's call.

Any statements made during this call relative to management's expectations, estimates or beliefs or otherwise state management's or the company's outlook, plans or projections are forward-looking statements and actual results may differ materially from those made in such statements. Additional information and the factors that could cause our results to differ materially from those in the forward-looking statements are contained in our SEC filings.

Finally, this presentation includes non-GAAP measures of financial performance which are not meant to be considered in isolation or as a substitute for their GAAP counterparts. Additional information, including a reconciliation of non-GAAP measures, is included in our earnings release and in our conference call slides on pages 14 through 17. Both can be found on our Web site.

With that said, I'd now like to turn the call over to Nick Pinchuk. Nick?

Nick Pinchuk: Thanks, Sara. Good morning everybody. As usual, well, I'll start the call by covering the highlights of our quarter, and along the way I'll give you my perspective on our results, on our markets, on the progress we've made, and what we believe it all means. Then Aldo will move into a more detailed review of the financials.

Once again the results for the quarter in the comparative periods include a number of special nonrecurring legal, tax, and debt events that affected our as-reported levels. So to provide greater clarity, we'll refer to amounts excluding the one-time effects as an as-adjusted number to make everything comparable. And when you look through all of it we believe it's clear that Snap-on did make recognizable progress, demonstrating again our ability to continue a trajectory of positive results, recovering in some important areas, while overcoming some significant challenges. We're encouraged by the quarter.

The Tools Group U.S. van network, which has been the center of some considerable attention, continued its improvement growing mid-single digits on fairly broad improvement. RS&I saw some rise in its business serving the vehicle OEMs that had been down for several quarters. And the corporation's efforts around Snap-on Value Creation, our runways for improvement, fought off the challenges of unfavorable currency and uncertain environments in some of our geographies to maintain and expand our profit margins.

Now to the results, first quarter as reported sales were \$921.7 million, down 1.5%, including a \$26.1 million or 290 basis point impact from unfavorable currency. Organic sales were up 1.4%, gains in the U.S. van channel and critical industries tempered by the turbulence.

From an earnings perspective our OpCo operating income for the quarter, including the one-time benefit from a recent legal settlement and an offsetting impact of unfavorable currency, was \$187.4 million, increasing 5.5% compared to last year. OI margin for the quarter was 20.3%, rising 130 basis points. On an as adjusted basis, excluding the nonrecurring items, the OI margin was 19.1% up 10 basis points.

For Financial Services, operating income of \$62.1 million was up compared to last year's \$56.9 million. And the as reported OI margin, including both Financial Services and OpCo, was 24.8%, up 180 basis points. The as adjusted OI margin was 23.6% compared to the as adjusted 23% last year. And EPS on an as reported basis was \$3.16, 34 cents or 12.1% above last year. The as adjusted EPS was \$3.01, exceeding the comparable \$2.79 from last year by 22 cents, an apples-to-apples increase of 7.9%.

Now, let's look to our markets. We believe the auto repair market remains a great place to be despite the variations. The aging of the car parc, the changing repair tasks as new vehicles are introduced, the increasing vehicle complexity are solid underlying drivers that we continue to see across the segment.

Now, we do see headwinds arise from time to time associated with macro difficulties in certain geographies like the UK, and in certain sectors like the OEM dealerships when the new car industry sees turbulence. We are however convinced that the outlook is positive, and we keep investing, investing in product, in hardware and software, in data and processes, all to further our advantages.

You can see some of that confidence coming to fruition with the recovery in the U.S. van channel driven by great new products. And with the turn in the OEM business in RS&I. We believe the auto repair industry is a great place to be, and we're confident regarding our current position and our future.

Another opportunity is the market we've termed the critical industries, sectors like natural resources, the military, and aviation. We see our business growing stronger in that arena with new products and new customers. We also see period-to-period challenges, but overall we believe we're becoming more effective in those large vertical markets with stronger products like automatic tool control, sophisticated torque systems, and task-targeted hand tools. And we're winning a growing array of committed customers. So, overall, I'd describe our markets as continuing to offer attractive opportunity.

We've also enabled our Snap-on Value Creation processes – safety, quality, customer connection, innovation and Rapid Continuous Improvement, or RCI – processes along which we're committed to drive improvement. They support our advancement in positive times, and they create powerful offsets in turbulent times. We believe you can see that in our results over time, and you can see it in the first quarter. Snap-on Value Creation overcoming challenges, and continuing our performance progress.

Now, let's move to the groups. In the C&I group, organic sales were up \$4.7 million or 1.5%. Now including \$13.8 million of unfavorable foreign currency, first quarter as reported volume declined \$9.1 million. From an earnings perspective, C&I operating income was \$46.5 million, about the same as last year. The operating margin was up 40 basis points to 14.4%. Organic volume, RCI, and the effect of foreign currency drove that rise.

We've been speaking for some time about the importance of our torque product line. Well robust performance in our specialty torque division was particularly encouraging, with a high single-digit

increase this quarter. And beyond that, growth in the critical industries was evident in the quarter. Both those gains were partially occluded or partially attenuated by spotty performance in some of our international markets.

Now, critical industries showed variations across the businesses. Up for natural resources, the military, education, and general industry, partially offset by some softness in aerospace, but overall showed a positive outlook. We're confident in and committed to extending in the critical industries, and we have seen continuing gains. Now 10 straight quarters of growth authored by a strengthening lineup of innovative product, matched to the task and designed specially to make work easier in the uniquely challenging industrial workspace. And our torque lineup is an example of that expanding strength. As a matter of fact, torque and critical industries are natural partners, and we've been investing to pursue the possibilities. A great example, just introduced, is Snap-on's ControlTech CTech Micro Torque Wrench fitted with Bluetooth Low Energy technology, BLE technology, an offering created by customer connection and innovation. Our traditional Snap-on specialty is torque in a compact body. And we combined that strength with our recent acquisition, Sturtevant Richmond's expertise in wireless torque programming and documentation. It all came together to make critical work much easier, much more productive with this extraordinary product.

The Sturtevant Richmond BLE system enables remote programming to match, in order, the varying torque values required to complete many essential tasks in aerospace, the military, or oil and gas. And the remote communication model that does that seamlessly packages inside the Micro Torque Wrench, the micro wrench body, making the wrench able to operate in almost any space, including around those very tight inline fasteners that are so common in aerospace solutions. The ability to program, and the ability to program a range of torque values in order, and the ease of access means that the Micro CTech BLE does the work of four to five mechanical preset wrenches, a significant cost reduction and a clear gain in efficiency. And beyond that advantage, the BLE Micro documents the actual torque supply avoiding the need for multiple torque audits in critical applications, saving even more time.

The BLE Micro ControlTech guided by customer connection with the aircraft industry, enabled by the capabilities across the Snap-on division has been received by excitement, and it demonstrates the way our product line is expanding to solve the most critical of tasks. C&I, driven forward with customer connection and innovation, and it's working.

Now, on to the Tools Group. Organic sales up 2.9%, a mid single-digit increase in the U.S., a return to the target growth range. And as a partial offset, a low single-digit decline internationally in places like the UK. The operating earnings, \$67.2 million, down \$1.7 million, including \$3.1 million of unfavorable currency. That represents a margin rate of 16.4%, lower by 60 basis points, but driven mostly with 50 basis points of currency headwind. So the Tools Group, another quarter of expanding sales in the U.S. and sales advancement overall with solid operating margins.

We believe our van network remains quite strong, and it's evident when we meet franchisees. As I did with a group of them just this last weekend at the U.S. Franchisee Advisory Council, or when I meet with them individually as I also did last week, once again they uniformly express confidence in the strength of the business, displayed excitement about our products, and declared optimism for their future trajectory. I tell you, you can't help but leave these encounters energized. It convinces us how strong these businesses are.

The van network has seen some variation though, but we are quite confident of the opportunities. And the Tools team continues to work with focus and urgency across its geographies to drive the upward trajectory, with programs and promotions, and with great new products. When we speak of products we turn to Snap-on Value Creation, customer connection and innovation, creating new offerings, solving critical tasks, and we're doing just that in the Tools Group.

For example, last year, we released an innovative new socket line, the Flank Drive Xtra. We call it the FDX. It improved turning power - it has improved turning power, better fastener engagement,

and greater strength. It's a patented design that grips the fastener further off the corner with a more angled socket wall for greater turning power. That's where it gets its greater turning power; twenty percent more in nominal situations, fifty percent more when applied to worn or damaged fasteners, the real problematic difficulty in repair. It exceeds the power of our already industry-leading standard sockets. We believe we already have by far the best range of hand tools. The FDX makes it better. And the technicians agree. Hand tool sales are up nicely, demonstrating our product strength and contributing to the Tools Group's rising trajectory.

Now let's talk about another category, tool storage, also up in the quarter, helped in part by our new heavy duty mobile workbench capable of supporting up to 2000 pounds; 1300 on the bench top and 700 on the lower shelf. The new bench has adjustable legs allowing technicians to adjust their workstations to match the work -- customize the work surface just how they like it from 30 inches to 40 inches high. It's ergonomic, healthy, and safe. It also includes several storage solutions; optional drawers in various configurations allowing the techs to store those very valuable tools, those jewels, with security. And they have special side panels with 22 accessories for accommodating frequently used, bulky, or messy units. The Snap-on heavy duty bench has strength, durability, friendly ergonomics, and flexibility all in one product. And it's well on its way to achieving a hit million dollar product status. And we believe it has much more runway. That's the Tools Group, improving growth, continuing profitability underpinned by strong product.

Now let's speak about RS&I. First quarter organic sales declined 0.5%, close to flat. Reflecting low-single digit increase in our undercar equipment operation, partially offset by low single digit growth in our businesses focused on OEM dealers. RS&I operating earnings of \$83.6 million decreased \$2.2 million including \$1.5 million from unfavorable currency. Operating margin was robust, 25.5%, flat despite the lower volume. Now the OEM facing businesses did advance, a recovery after several quarters of downturn. We said that the pullback will be a temporary phenomenon. And in fact, it was. That area has now improved.

Having said that, we continue to clearly see abundant runways for growth in the RS&I group. And we are working to take advantage of those opportunities again with new products like our recently introduced school bus diagnostic kit. The school bus package provides the repair technician with a guide to standard preventive maintenance procedures and offers quick capabilities for analyzing vehicle performance problems for that special application. The new kit it features our NEXIQ pocket HD heavy duty handheld unit, unique diagnostic software, and a full array of cables and accessories. School bus repair is a clearly -- it's clearly a critical task, and our new kit makes that effort more effective and easier.

Also in the first quarter, we entered the motorcycle diagnostic market with our new P1000 handheld. Based on customer connection, the new system fills an underserved need for an all-makes, all-models motorcycle diagnostic solution. Based on our customer connection, we knew it would be well-received. And that's just what happened. We are confident in the strength of our RS&I product line. And that possibility is not just from our internal views or internal measures.

Recently, we were again acknowledged by Undercar Digest magazine with that publications naming four of our new products to its 2019 list of the top 10 tools. Two Mitchell 1 repair products – our ProDemand repair information system and our Manager SE shop management suite – were selected. And two diagnostic products, our groundbreaking APPOLLO handheld with intelligent diagnostics and our Thermal Imager Elite were also recognized in the top 10; four in the top 10. The Undercar Digest awards are selected by readers, shop owners, and technicians. People who earn their living by being accurate and efficient when diagnosing and repairing today's vehicles. It's clear that these awards are independent verification of Snap-on's ongoing commitment to customer connection and innovation, but most of all to the extraordinary results of that focus.

We keep driving to expand RS&I's position with repair shop owners and managers making work easier with great new products, developed internally with Snap-on Value Creation, or added by our strategic and coherent acquisitions. And we're confident it's a winning approach.

So those are the highlights of our quarter. Continued progress, sales growth and profitability gains, overcoming headwinds. RS&I group challenged but seeing some recovery in the OEM facing business. Strength in the U.S. van channel and further progress in the critical industries. Snap-on Value Creation driving a wide array of new products, broad array of new products, as I've demonstrated here, and improved processes more than offsetting the turbulence, authoring an as adjusted 19.1% OpCo operating margin, up 10 basis points, and driving an as adjusted \$3.01 EPS, up 7.9%. It was an encouraging quarter.

Now, I'll turn the call over to Aldo. Aldo?

Aldo Pagliari: Thanks, Nick. Our consolidated operating results as summarized on slide six. Net sales of \$921.7 million in the quarter were down 1.5%, reflecting a 1.4% organic sales gain and \$26.1 million of unfavorable foreign currency translation. The organic sales gain this quarter principally reflected mid-single digit growth in the U.S. franchise operations of the Snap-on Tools Group, and low single-digit growth in the Commercial and Industrial segment.

Consolidated gross margin of 51.2% improved 80 basis points, primarily due to the higher organic sales, savings from RCI initiatives and 10 basis points of favorable foreign currency effects. Operating expenses of \$284.2 million benefited from the \$11.6 million legal settlement Nick mentioned earlier. The operating expense margin of 30.9% improved 50 basis points as the 120 basis point benefit from the legal settlement was partially offset by 20 basis points of unfavorable foreign currency effects and higher costs.

Operating earnings before financial services of \$187.4 million or 20.3% of sales, included \$5.7 million of unfavorable foreign currency effects and the benefit of \$11.6 million from the legal settlement. Excluding the legal settlement, operating earnings before financial services, as

adjusted, was \$175.8 million or 19.1% of sales, compared to \$177.7 million or 19.0% of sales last year.

Financial Services revenue of \$85.6 million and operating earnings of \$62.1 million increased 3.1% and 9.1%, respectively, from 2018, reflecting continued growth in our financial services portfolio, as well as improved bad debt and delinquency performance. Consolidated operating earnings of \$249.5 million or 24.8% of revenues included \$6.2 million of unfavorable foreign currency effects and the legal settlement. Excluding the legal settlement, operating earnings as adjusted was \$237.9 million or 23.6% of revenues, compared to \$234.6 million or 23% of revenues a year ago.

Our first quarter effective income tax rate of 24.3%, including an increase of 10 basis points related to the legal settlement, compared to 26.2% last year. Our Q1 2018 rate included 120 basis points related to the implementation of tax legislation in the United States. Excluding the tax charge, the effective tax rate in the first quarter of 2018, as adjusted, was 25.0%.

Finally, net earnings on a reported basis of \$177.9 million or \$3.16 cents per share, including an \$0.08 unfavorable impact associated with foreign currency, compared to \$163.0 million or \$2.82 per share a year ago. Excluding 15 cents per share for the legal settlement, adjusted earnings per share was \$3.01, up 7.9% compared to Q1 2018 adjusted earnings per share of \$2.79, which excluded net debt items and tax charges last year.

Now let's turn to our segment results. Starting with the C&I group on slide seven, sales of \$322.5 million in the quarter decreased to 2.7% reflecting a 1.5% organic sales gain more than offset by \$13.8 million of unfavorable foreign currency translation. The organic growth included a high single-digit increase in sales in our Specialty Tools business, as well as low single-digit gains with customers in critical industries. These increases were partially offset by a low single-digit decline in the segment's Asia Pacific operations, as well as lower sales in some of C&I's, Latin American markets, such as Mexico, Argentina, and Chile.

Gross margin of 40.4% improved a 140-basis points year-over-year, primarily due to the higher organic sales volumes, savings from RCI initiatives and 40 basis points of favorable foreign currency effects. The operating expense margin of 26% increased 100 basis points primarily due to 10 basis points of unfavorable foreign currency, and higher sales related spending and other costs. Operating earnings for the C&I segment of \$46.5 million were unchanged from last year while the operating margin of 14.4% increased 40 basis points from 14% in 2018.

Turning now to slide eight, sales in the Snap-on Tools Group of \$410.2 million increased 1.4% reflecting a 2.9% organic sales increase partially offset by \$6.2 million of unfavorable foreign currency translation. The organic sales gain includes a mid-single digit increase in the United States, partially offset by a low single-digit decline internationally. The sales increase in the U.S. reflected stronger sales of hand tools, tools storage and diagnostic products. Gross Margin of 44.6% included 40 basis points of unfavorable foreign currency effects remained unchanged from last year. The operating expense margins of 28.2% increased from 27.6% last year, primarily due to 10 basis points of unfavorable foreign currency effects and higher other costs.

Operating earnings for the Snap-on Tools Group of \$67.2 million, including \$3.1 million of unfavorable foreign currency effects, decreased \$1.7 million from last year, while the operating margin of 16.4%, including 50 basis points of unfavorable foreign currency effects, compared to 17% in 2018.

Turning to the RS&I group shown on slide nine, sales of \$327.9 million decreased 2.7% reflecting a 0.5% organic sales decline, and \$7.6 million of unfavorable foreign currency translation. The lower organic sales reflect a low single-digit decline in sales of undercar equipment, partially offset by a low single-digit increase in sales to OEM dealerships. Weakness in Europe impacted RS&I's overall sales growth in the quarter.

Gross margin of 48.2% increased 10 basis points from 48.1% last year. The operating expense margin of 22.7% compared to 22.6% a year ago. Operating earnings for the RS&I group of \$83.6 million decreased \$2.2 million from prior year levels, while the operating margin of 25.5% was unchanged from last year.

Now turning to slide 10, operating earnings from financial services of \$62.1 million on revenue of \$85.6 million increased 9.1% and 3.1% respectively from a year ago. Financial Services expenses of \$23.5 million decreased \$2.6 million dollars primarily due to lower provisions for credit losses. As a percentage of the average portfolio, financial services expenses were 1.1% in the first quarter of 2019, at 1.3% in the first quarter of 2018.

The average yield on finance receivables in the first quarter was 17.8% for both 2019 and 2018. Respective average yield on contract receivables was 9.1% and 9.2%. Total loan originations of \$252.5 million increased \$5.2 million or 2.1%, primarily due to a 2.4% increase in the originations of finance receivables.

Moving to slide 11, our quarter end balance sheet includes approximately \$2.1 billion of gross financing receivables including \$1.8 billion from our U.S. operation. Our worldwide gross financial services portfolio grew \$4.1 million in the first quarter. The 60-day plus delinquency rate of 1.5% for U.S. extended credit, improve 10 basis points year-over-year and also reflects the seasonal improvement we typically experience in the first quarter. As it relates to extend credit or finance receivables, the largest portion of the portfolio, trailing 12-month losses of \$51.4 million represented 3.09% of outstandings at quarter end. That's down 7 basis points sequentially, supporting continued stabilization of the portfolio's credit metric performance.

Now turning to slide 12, cash provided by operating activities of \$201.3 million in the quarter decreased \$30.6 million from comparable 2018 levels primarily reflecting net changes in operating

assets and liabilities, including the \$11.6 million reduction in liability related to the quarter's legal settlement, partially offset by higher net earnings.

Net cash used by investing activities of \$38.7 million included net additions to finance receivables of \$18.6 million and capital expenditures of \$20.2 million. Net cash used by financing activities of \$147.6 million included cash dividends of \$52.8 million and the repurchase of 295,000 shares of common stock for \$47.4 million under our existing share repurchase programs. As of the end of March, we had remaining availability to repurchase up to an additional \$476.9 million of common stock under existing authorizations.

Turning to slide 13, trade and other accounts receivable decreased \$17.3 million from 2018 year-end including \$1.6 million of favorable currency translation. Days sales outstanding of 65 days compared to 67 days at 2018 year-end. Inventories increased \$33.2 million including \$1.5 million of favorable foreign currency from 2018 year-end. On a trailing 12 month basis, inventory turns of 2.7 compared to 2.9 times at year-end 2018.

Our quarter end, cash position of \$156.4 million increased \$15.5 million from 2018 yearend levels. Our net debt to capital ratio decreased to 22.6% from 24.2% at year-end 2018. In addition to cash and expected cash flow from operations, we have more than \$700 million in available credit facilities. As of quarter end, we had \$131.5 million of commercial paper borrowings outstanding, a reduction of \$45.6 million since year-end 2018.

That concludes my remarks on our first quarter performance. I'll now turn the call back over to Nick for his closing thoughts, Nick?

Nick Pinchuk: Thanks, Aldo. Let me sum up. The Snap-on first quarter, a step forward. Advancements in several important sectors. The continuing strength of Snap-on Value Creation overcoming the challenges and driving improvements in overall earnings and in margins. We continue to be

confident in the vehicle repair market, growth in the technician base, the aging of the car parc, the ongoing changes from model to model, the increasing complexity of repair, the rising need for diagnostic aids and greater repair data. These are continuing and favorable trends that offer substantial opportunity and we believe we're best positioned to take advantage.

We saw some confirmation of those possibilities play out in the quarter. Significant progress in the U.S. van channel, up by mid-single digits returned to its target range and recording its third straight positive quarter and our vehicle OEM businesses return to growth after three down quarters. Of course there were challenges in the quarter that did partially mask the progress.

Unfavorable currency, the largest impact we've seen for some time; spotty markets driven by the macro environment in places like the UK, France, Mexico and other parts of Latin America. But despite those challenges, we prevail the Snap-on value creation process is driving attractive and profitable new products and authoring a range of process improvements that overcame the difficulties and authored OI margin of 19.1%, up 10 basis points and an adjusted EPS of \$3.01 up 22 cents or 7.9% despite the challenges.

It was an encouraging quarter which we believe points to abundant opportunities and confirms that Snap-on has the position, the capabilities, the products, the markets and the markets to continue our positive trend through the rest of 2018 and beyond, 2019 and beyond.

Before I turn the call over to the operator, I'll speak directly to our franchisees and associates. Our first quarter results, our positive trends of performance and our significant opportunities going forward would not be possible without your extraordinary contribution. For your success in driving our progress you have my congratulations and for your continuing dedication to our team, you have my thanks.

Now I'll turn the call over to the operator. Operator?

Operator: Thank you. And if you would like to ask a question, please signal by pressing star 1 on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star 1 to ask a question. We'll take our first question from Gary Prestopino with Barrington Research.

Gary Prestopino: Hi, good morning everyone.

Nick Pinchuk: Good morning, Gary.

Gary Prestopino: How are you? Good, good. A couple of questions just real quickly. Aldo, that benefit on the patent litigation that has -- that was a U.S.-based issue, there's no FX impact to that either way, right?

Aldo Pagliari: That's correct, Gary.

Gary Prestopino: Okay. Then, hey, Nick, could you maybe, in terms of the tool storage, and I'm not looking for, you know, an exact number, but did you see both a year-over-year and sequential increase in the tool storage product sales in the quarter?

Nick Pinchuk: You know, yes, well year-over-year was up. I think the first quarter is always a little weaker than the fourth quarter in most situations. So I don't think it's a comparable thing. We were pretty encouraged by it though. And I think, you know, more than that I'm encouraged by hearing the way the franchisees are reacting to our product. I spent a whole day with our National Franchisee Advisory Council over the weekend and they couldn't say enough about it. You know, with some of our new colors and wraps and so on, and some of the new products, you know, that bench. We launched the 1422. We started out calling it the AON, you know, but - the IQON, but that had to do with a special surface. And this takes advantage of that, only it's kind of a much more versatile

thing. And that's just an example of the kind of cool things that our guys are bringing out, and they're driving tool storage volume. Now of course, you know, again, you know, you have to keep earning their confidence and earning their excitement, but we feel pretty good.

Gary Prestopino: Okay. And then you said the dealership business bounced back and you feel pretty good about it. That tends to be lumpy. I mean, you know, what gives you the confidence and the visibility there, at least for 2019?

Nick Pinchuk: You know, I'm seeing new products and new technologies roll out and I think, you know, this is just me talking, you know, in terms of my opinion, but I think having worked in the auto industry, what happens is when they behold, an auto industry turning down, like NADA and I think IHI predicted downturns in the new car sales, they tend to think about it for a little while. I think they tend to understand -- try to understand where they're going to put their money. And so from time to time it does put a freeze on our projects, not to mention, you know, they match technology and so on. And I think after a while they realize how lucrative the aftermarket is with parts and services, so they start investing again. And I think that's what we're seeing. Plus we're seeing programs come out. We can see the programs rise. So, we feel okay about that, although, you know, we don't give guidance or anything, but I feel kind of positive. And we said it was going to come back.

Gary Prestopino: Okay, and then lastly -- given the technological complexity of vehicles and all, I mean are you kind of looking at your business, again I don't want specific numbers, but do you guys look at it as a mandate of that, you know, if we got 70 new products out that hit the one million sales mark in 2018, the goal is to increase that every year, every year, every year?

Nick Pinchuk: Well, you know, yes. But I don't like the -- I haven't given out the number because I don't want to nail myself to the cross of that thing. You know, in other words, I don't want to be reporting on it, but generally we want to launch more of those, and we have.

In fact I'll give you the note that last year, I think we launched six or seven times more new products than -- about six-and-a-half times, or six to seven times more new products than we had launched in 2006, so about 10 or 11 years ago, so there's been quite -- new hit products, million-dollar products. So, we have been driving it upwards, and it's kind of one of our metrics that we follow here, although, you know, if it went down one year I wouldn't be slitting my wrists or anything or really wringing my hands.

But on the other hand, we like to see it goes upward. And, you know, we also are expanding our product line, not million-dollar products, but the products that address different customers in critical industries. So last year, we introduced 5,242 new products in that area just because we have a whole range of those vertical industries, and we want to adapt to particular demands, particular applications. So that's what's driving our business, new product. And the range of it is what I try to say or try to give a feeling for in my presentation.

Gary Prestopino: Okay, thank you.

Operator: We'll take our next question from Bret Jordan with Jefferies.

Bret Jordan: Hey, good morning, guys.

Nick Pinchuk: Good morning.

Bret Jordan: Could you talk a little bit more about the diagnostics products through the tool vans, I mean maybe give us some -- I think you mentioned Apollo being particularly strong, but maybe give us an update as to where Zeus is. And then my follow-up question for Aldo...

(Crosstalk)

Bret Jordan: Sorry, go ahead.

Nick Pinchuk: Okay, no, go ahead.

Bret Jordan: And I guess the follow-up question is for Aldo really on a housekeeping, just corporate expense, how should we be thinking about that on sort of an annual run rate? The last year or so we've had some puts and takes as far as legal income or loss. I guess what do we think about the core corporate expense spending level.

Aldo Pagliari: I'll answer that one first, then I'll let Nick dive into diagnostics. Corporate expense clearly benefited mostly this quarter by the \$11.6 million reduction in our liability under the legal matter. But also it benefited in the quarter from about \$1.6 million or so of pension related expenses, which now fall below the line of the new accounting standards.

So pension expense should continue on moving forward, however in the middle of the year you'd typically get a true-up of your census data, find out how long people are living, things of that nature. So, long answer to your question, Bret. I'd still say it's in the \$90 million range, \$92 million range on an annual basis. And again, you can get puts or takes on that depending on what level of spending might be around due diligence if you're looking at acquisitions or what the actual healthcare costs to the company come in at, that's what creates some noise around the fringes.

Bret Jordan: Okay, perfect.

Nick Pinchuk: Okay, all right. Look, in diagnostics. The diagnostics was up in the Tools Group, fairly, you know, the Tools Group was kind of a good quarter we thought. I mean you would say it was a good quarter, but was kind of broad advancement, so diagnostics was up positively. You know, the P1000 was the -- the motorcycle diagnostics was a good one, but others sold reasonably well. I

didn't say the Apollo was up gangbusters or anything like that, I just referred to Apollo as recognized by Undercar Digest.

So, I don't really want to get into what sold and what didn't sell, because you can drive yourself crazy trying to analyze the ups and downs of different diagnostics in the quarter, you know, different diagnostic sales or any different product line in the quarter. We find that not to be a very productive exercise because it depends generally on what people have on the van and how we promote them and how they're focused on selling and what captures their attention. And that changes from quarter to quarter. But I think it's fair to say that it was a fairly robust -- I think I can say fairly robust quarter in diagnostics in the Tools Group.

Bret Jordan: Okay, thank you.

Operator: We'll take our next question from David MacGregor with Longbow Research.

David MacGregor: Yes, good morning, everyone.

Nick Pinchuk: Morning.

David MacGregor: Good morning. Congratulations on a good quarter.

Nick Pinchuk: Thank you.

David MacGregor: Could you start off by just talking, Nick, about the regional kick-offs and how did orders compare year-over-year?

Nick Pinchuk: You know, I think orders were about -- I guess it varied from place to place. There was quite a bit of variation this year from place to place. I think it wasn't anything special I would say. But

we've learned, you know, David, what we've learned about this is that I think, you know, as you -- I don't if we've learned it, we've known it all along, I think we've kind of tried to articulate this. Whether you're talking about SFC or whether you're talking about the kick-offs, they are only one component of the forward action. The biggest thing that happens in the kick-offs, of course, having more orders is better than -- having more orders than, you know, really robust orders is better than a, you know, a poke in the eye with a sharp stick, but it doesn't deliver the quarter. And so we had a good kick-off season, but I wouldn't call it, you know, really gangbusters. On the other hand the follow-ons were very strong as well.

So I think, you know, it's useful to look at it, but it isn't definitive even for the immediate quarter. We felt good about it. I particularly felt good about the training that occurred and some of the coaching that occurred in those situations, because our product line is only getting more complicated. It's more powerful, and it's generating great margins, as you can see in our product line.

(Crosstalk)

David MacGregor: Nick, how would you say promotional activity at the kick-offs compared year-over-year?

Nick Pinchuk: You know, I think about the same. You know, one of the great things I heard -- I heard a lot of things. You know, one of the great things, I was with the franchisees this weekend, you know, like I said, last week. And one of the great things, music to my ears, they said "You're giving us the best values we ever had." That's what I want them to say.

By the way, our margins overall for the corporation, 51.2%, gross margins I'm talking about. I don't like to talk about gross margins, but in this instance I will. 51.2% against currency was the highest in 20 years. The Tools Group - the Tools Group -- around the highest in 20 years, but the thing is very good. And the Tools Group was very robust, and it was against 40 basis points of currency.

So I love people saying you gave us great value. And by the way, that great value translated into good margins for us.

David MacGregor: Right. Well, Nick, maybe my next question, you could open the Tools Group gross margins up for a little bit, like you did last quarter. And I think last quarter you talked about, you know, it was negative back mix, you had some raw material issues, there was some negative FX, some RCI. Could you just open that up? It was a little bit stronger than we expected, and I'd love to understand the puts and takes...

(Crosstalk)

Nick Pinchuk: New products. New product drives a lot of that. That's one of the things. And, you know, our guys' programs are very creative, and they impel selling, and they attract franchisees even if it's not new product, so that's part of the magic of the magician doing it. But coming back to your question, we had about, I think, in gross margin we had about 40 basis points of bad news in currency. And then there we had a slug. I don't want to really get into material costs and tariffs and all that stuff, there's a lot of turbulence. And we're not as vulnerable as a lot of people, but we have impact. Everybody else knows what's happened with material costs, it's going up. We usually -- we offset them. So in this quarter, the Tools gross margin is a great example.

Look, you got currency. You got turbulence in the supply chain. You have some impact in tariffs, which we worked through. And yes, we've kept it flat. We had all of those running through our overall P&L and she shook them off, plus big currency. So I'm pretty happy about Snap-on Value Creation this quarter.

David MacGregor: Was there much change in the international gross margins?

Nick Pinchuk: You know, I think there was. I think in general, you know, as you might think, in the UK. UK has been struggling a little bit, so we tend to want to try to get that started back on the train. And so anybody who is running a business like that that's in that kind of turbulence really tries to push around in terms of maybe making some concessions and so on.

So I don't think the international gross margins were as robust as the U.S., you know, for sure. And it reflects the idea that the sales were down. And that's what those guys do, that's what we ask them to do, get the train started again, and then we worry about getting our money after that train starts.

David MacGregor: Thanks. Last question for me is just the originations, up 2.4%, I guess, on the finance receivables subset. Is it possible that -- you talked about the strength in storage and in diagnostics in the Tool segment, was it possible your ASPs were down? Units were up; ASPs were down or at least were muted? I'm trying to reconcile the 2% with kind of the commentary that...

(Crosstalk)

Nick Pinchuk: I'll let Aldo talk in a minute, but I got to say this. First of all, there isn't temporal connection between the originations in one quarter and the selling, of course because there's time differences and so on. There's a lot of things that flow through this. So it's not a productive -- I don't think it's very easy, even by us, to be able to necessarily tie those two together very directly. You have to look over a march of time and look for -- because I guess the best way to say it is, for connection between sales of new products -- sales of product and originations, a quarter isn't necessarily a significant time period.

David MacGregor: Okay.

Aldo Pagliari: I've got to agree with that, David. It's just a matter of timing more than anything else. And the other slight difference, just to make your modelling more difficult, you have to remember the EC originations, we'll report that as not currency affected. So, you look at the currency variations, they create some noise as well. But it's mostly timing.

David MacGregor: So what would the timing influence have been on that 2% number?

Aldo Pagliari: Well, we'll wait and see. We'll see what Q2 has to portray. It depends what the franchisees do with selling off what they bought in Q1, doesn't it.

David MacGregor: Yes. Okay, thanks, gentlemen.

Nick Pinchuk: Sure, thank you.

Operator: And we'll take our next question from Christopher Glynn with Oppenheimer.

Christopher Glynn: Thank you. Good morning.

Nick Pinchuk: Good morning.

Christopher Glynn: So, just a question about C&I, you know, it's always a little bit lumpy, you get strong quarters, some softer quarters. Just wondering if you see the backdrop to support the kind of mid single-digit performance you expect over the long-term, you know, in the, you know, the ensuing periods. And in particular, you know, what might be moving around with the ATECH in the critical industries?

Nick Pinchuk: Yes, you know, look, I think you could argue critical industries, you know, this quarter we had a couple of -- we've gotten a couple of big government jobs, you know, big defense systems

that are, military jobs that are good for us. You know, the idea the government, going and crossing the T's and dotting the I's and getting all that stuff out, we're confident we're going to have those. But they were delayed out of the quarter, and that that kind of has created an attenuation of some significance for the C&I Group.

And then, there's a few markets which give them some problems particularly and gave them some problems this time. They sell into Latin America. They had some problems and they had some weakness in those markets. Mexico tends to be a bigger market for them in this situation. And so, they had those kinds of difficulties.

If you talk about Asia-Pacific, you know, China it wasn't great news on China. China was particularly down, but India was really encouraging. So I think we're looking forward, we're starting to think that China and India are horns on the same goat, you know, where everybody starts to think that China is the big Kahuna and everything, well India is starting to come up for us. We're starting to get big sales. We're making increases in leaps and bounds in that environment and we don't see it attenuating. So I'm reasonably encouraged.

Now of course, aren't... probably going to kick myself for saying this, but C&I is one of the most international of businesses and there are turbulences around the world. You know, you don't have to look at Europe too hard to see Germany, you know, wondering what's happening to industry there. You see the UK and so on so, you see some ups and downs. But C&I did okay in those markets, they had problems in the peripheral markets like Mexico and Latin America and in Middle East and so on. I don't think that's going to last.

Christopher Glynn: Okay, thanks. And then on...

(Crosstalk)

Nick Pinchuk: I feel pretty – just let me add, the reason it is that I feel pretty positive about are our products.

You know, for example, Asia-Pacific is starting to sell to people like Cormack with the ATC. The ATC is starting to become the tool storage Foreign Object Damage product of choice in Asia. That takes off, it's good for us. So I feel good about those things.

Christopher Glynn: Okay. And then for the SOT margins, some apparently nice mix recovery from the fourth quarter. You talked about new products in particular hitting and you had some discounting I think to end the year last year, so just wondering if we should expect the mix dynamics and discounting to flop around a little bit or if the first quarter is really a lot more representative than fourth quarter?

(Crosstalk)

Nick Pinchuk: Yes, look I think what happened in the fourth quarter was more like we wanted to focus on customers. I think what we said was in diagnostics we wanted to focus on customers that weren't that interested in software. So we energized around the last generation products, the SOLUS and the MODIS, and sold those and of course they were last generation, so they tended to be less margins and other things.

You know, that would be what happened in the fourth quarter. We're pivoting away with that, away from that now and we're making some adjustments in our new generation product lines to appeal to people who are less enthusiastic about software and still we're able to sell it to them. So I don't think that's going to repeat itself although, you know, Murphy's Law being what it is, I don't think by intent that will repeat itself. I don't see us going there by intent. I feel pretty good about the Tools Group margin.

Now, currency is going to continue. I mean what we see is that currency was pretty big this quarter, I think \$6.2 million, 8 cents we see -- if everything stays the way it is now, we see next quarter's

kind of the same thing. Starts to get better in the third quarter and it kind of flattens out in the fourth quarter, but we're going to see currency headwinds in the Tools Group in particular in the quarter, so we won't get rid of that. That's the thing, but I still feel pretty good about the margins I think. When I talk to the franchisees and I talk to their guys, they seem confident. There's a spring in their step.

Christopher Glynn: Okay. So you did see the network's success in driving some incremental interest in the intelligent products for...

(Crosstalk)

Nick Pinchuk: Yes, you know, yes I think what I'm saying is we're making, we made, adjustments around that and we're launching new products. We're going to launch new products as we go forward. And we did see some improvement this quarter. The fourth quarter, as I said, was a specific activity that said, you know, I think I said we found after several quarters of driving intelligent diagnostics with the big data package, we're leaving a certain customer segment behind. So we went after them in the fourth quarter. We're not going after them anymore because we thought we sold them. We added them. We got them in the fold, back in the fold.

Christopher Glynn: Okay. And...

(Crosstalk)

Nick Pinchuk: Not doing anything special this time.

Christopher Glynn: Okay. And just a quick one on international, is that just kind of stable, leaky, or still getting hands around what's going on with the international franchise?

Nick Pinchuk: You know, our job is to fix things like that, okay. But so, UK is getting better, but it's still a headache. You know, you mention UK to me and the Tools Group and I immediately get a migraine, but it is getting better -- the last few quarters have gotten better. So it hasn't been, Australia is still a problem, but some of them have gotten better. So that particular business has gotten better, still not as fast as the U.S. I do feel okay about it though, I think our people are taking action. You know, we're not just sitting still. We're acting on this. And so, I believe we're on an upward trajectory. The time constant of that trajectory, or the slope of that trajectory is another question.

Christopher Glynn: Thank you very much.

Nick Pinchuk: Sure.

Operator: We will take our next question from David Leiker with Baird.

Joe Vruwink: Hi, this is Joe Vruwink: for David.

Nick Pinchuk: Hello, Joe.

Joe Vruwink: Did that mid-single digit growth in U.S. Tools Group pretty well match rates of sell out in the quarter?

Nick Pinchuk: Yes, it was -- I think, the sales off the van were a little bit lower, but generally, when you look over, you know, three, four or five quarters, it's about the same. You know, what's going on a van is going off, so no big difference.

Joe Vruwink: And when you think it, I think you said it's three straight quarters now of kind of a nice return to growth in the U.S. Tools business. When you think about the driver behind that, obviously on these quarterly calls, we talk a lot about new product and I think you've had some compelling new

product in the last three quarters to drive it. How much of the return to mid-single digit would you squarely place on new product as opposed to maybe some other initiatives you might have tried out?

Nick Pinchuk: You know, I don't know. I mean, I think new product is a thing which energizes the franchisees. It's the kind of thing which gets people to get on the van. They buy the new product and they buy some other things as well. Now, of course, that isn't necessarily true if it's a \$10,000 toolbox or something. But generally, if they're buying a, let's say an FDX, a set of sockets with FDX, a Flank Drive Extra, you get them on the van, they end up leaving with something else usually. So I think there's that kind of thing.

So I don't think we – we never really track how much of new product drives that. I do know, though that it's a robust portion because they drive good margins. You know, anytime we bring out a new project -- a new product, we get our value for them. And so, you see the Tools Group nice margin. That's why we like the new product. And the cool thing about it is, despite what people might think is that generally the changing vehicle complexity is pretty strong.

And the cool thing about this is, I know there's some people would say that technicians aren't growing quickly and you know, they are growing like 1%. But everywhere I go, people say I can't fill the jobs I have. So we're seeing, I anticipate in the future, some influx of new technicians. That's why we're spending all this time in schools. That's why we have 468 schools using Snap-on certified Snap-on certifications. And we're in 2500 schools because we're making those people that are going to eventually fill those slots, customers for life.

So I feel okay about it. I think the Tools Group is pretty good. Now I would correct you on one thing. I did not say that it was robust growth for three quarters. I only said it was a growth for three quarters. So some of that growth was a little slimmer than the mid-single digits, let's say. But it's a

positive to see them moving upwards, there's a trajectory there, that if you're a guy like me, you're pretty encouraged.

Joe Vruwink: Yes, I mean to say a return to growth. Since you brought up the mechanic and shortage we have in this country, one of the by-products is if you are a mechanic, you're obviously getting very healthy earnings growth at the moment, a good wage growth.

(Crosstalk)

Nick Pinchuk: ...4.4% ELS data.

Joe Vruwink: So when you think about the improvements and the risk metrics of the asset book. Obviously, delinquencies moving around -- moving down, maybe flips back to the health of the mechanic customer. How much is not related to that, however, and maybe more conscious actions by Snap-on in the last two years to maybe skew the risk of the profile a bit differently than in that '15-'16 timeframe?

Nick Pinchuk: Well, I think there is both in there. It's hard for me to -- it's hard for me to parse between those. You know, I mean you'd be entitled to both of those ideas. Look, I think the thing is I mean people have talked about this. And I think, you know, somebody might reasonably ask me and say, well, is that the appropriate level of losses? Well, you know, I think people have worried that those losses were going to go through the roof. I think not.

You know, it's certainly, we have been sitting and we have been dealing with that for a long time and it has not gone through the roof. And by the way, the fact, does anybody think the finance company isn't a good business? It is. And so, I do believe we feel pretty confident about the quality of those loans, and getting better is a combination possibly of both things, I think.

Joe Vruwink: And then, one last question. For the international Tools Group business to, you know, ultimately only be down low single digit, was that better than you expected entering this quarter given, you know, the threat of Brexit and maybe the chaos that creates?

Nick Pinchuk: You know, the guys who run those businesses are listening to this call. So, I am not going to say that I was happy with being down. That's all I will say about that.

Joe Vruwink: Okay. Fair point. Thanks very much.

Nick Pinchuk: Thanks.

Operator: We will take our next question from Curtis Nagle with Bank of America Merrill Lynch.

Curtis Nagle: Great. Thanks very much and so apology if I missed this point, but diagnostics within RS&I was that up or down. And then, do you guys have any new platforms launching ex motorcycle?

Nick Pinchuk: Yes, look, diagnostics in the Tools Group was up. Diagnostics in the RS&I Group can be split into two categories. One is sales to the Tools Group. And then it sells a variety of software and diagnostic-related software and handheld units outside the Tools Group, outside the van distribution. So the sales through the Tools Group were up in the quarter for diagnostics. The sales outside of the software, particularly in the UK, that software that was down quite a bit in this quarter. So that was the – so the net of that was diagnostics inside RS&I was down some, but if you parse them, healthy to the Tools Group. Outside that channel down, primarily because it's software stuff that rolling -- software end buys that were rolling through Europe and it wasn't as strong. It wasn't strong.

Now in terms of introduction, it's already been announced that we are bringing out -- I was told not to talk about this on the call, but since you asked, we have already announced the introduction of

something called the Triton which is the replacement, sort of like the one level down from the ZEUS and above the Apollo. You know, you might -- so that kind of business it's replacement for what we call the MODIS. And that's been launched just recently -- just in the second quarter. So, we didn't have any sales at all in the first quarter. And we're still kind of rolling it out. When you roll these things out, you don't necessarily roll them out nationally. So that has the kind of thing that's happening now. But, we are pretty -- I think talking to the franchisees over the weekend who had, some of whom had seen it and had the -- saw the presentation, they were pretty positive about it. You know, it's a \$3500 to \$4000 product. Good product.

And we think it will be a good seller. It adds the addition of scoping. So, it's aimed at mechanics who are working on projects that are high value and they can't afford to replace the component that they found is the problem, and it's taken them three hours to remove, they can't afford to replace that component or take them three hours to remove and replace it and find out it wasn't bad. Well, the Triton different than the Apollo will allow you test that component before you take it out, and say is it good or bad. So it avoids big mistakes and makes it much more efficient in the garage for those people who are doing those kinds of activities.

Curtis Nagle: Got it. That's very helpful. I appreciate it, Nick. And then I know it's a new category for you guys, but I guess your thoughts on the potential to -- or how much you can grow motorcycle diagnostics? How big is that business?

Nick Pinchuk: I don't know. You know, we just we launched it in the first quarter. It was a good seller. We will see. I think we feel pretty good though. I mean there are a lot of motorcycles around. Lot of motorcycle shops, and this is the only all makes -- or pretty much all makes, all models diagnostic. So it's as I said on the call, it's an underserved market. It was received with enthusiasm. I feel positive about it. But to dimension it, it's a little early. We're not experienced enough in it yet. It was a good seller over in the quarter. Sure.

Curtis Nagle: Okay. Thanks very much. I appreciate it.

Nick Pinchuk: Okay.

Operator: And we will take our final question from Ivan Feinseth with Tigress Financial Partners.

Ivan Feinseth: Thank you for taking my call and congratulations on another great quarter.

Nick Pinchuk: Thank you, Ivan.

Aldo Pagliari: Thank you.

Ivan Feinseth: My question is, you know, with all the great torque tools that you make, you really don't talk about opportunities in just general OEM manufacturing. I think there is, you know, so many areas of manufacturing for pumps, compressors, pretty much every bolt needs to be torqued. Have you seen the opportunity?

(Crosstalk)

Nick Pinchuk: No, we actually have a category called general industry. I did mention general industry as being up in the critical industries area. And that's where we use torque. And you are very right. We would use -- we do use it in general industry quite a bit. They tend to be more one-off type of applications where the airplanes, you know, like I said there are a lot of different situations where you can categorize them in bigger buckets. I think the general industry tends to be a little bit more customized. So, we tend not to mention it in these calls, but it's a big category for us. You are very right. And so, we have a lot of opportunity there. And that's why we acquired Sturtevant Richmond. We acquired Fastorq. We acquired Norbar to add to that capability out in City of Industry, California. We're becoming -- we feel pretty good that in the industrial sector we're maybe the top torque

business. We believe we may be the top torque business. And we're getting better because we are matching all of those capabilities, like I talked about Sturtevant Richmond with their wireless capability together with a micro capability the compact capabilities of our City of Industry, our traditional strength, putting together that BLE CTech micro. That's the kind of thing we are seeing in the future.

And we believe that torque, because everybody is looking for more precision, including the automotive industry, you know, driverless vehicles come precision is going to be really important because you don't want to be hitting the automatic park if you are not in precise calibration.

Ivan Feinseth: Yes, I am excited -- I like all the acquisitions you have made in the torque area and I think there is a huge growth opportunity there.

Nick Pinchuk: Thanks.

Ivan Feinseth: And I am also excited about new the motorcycle diagnostic system, so I look forward to hearing more about that.

Nick Pinchuk: Yes, that should be cool. Hopefully -- I can't believe we didn't do it earlier. It's one of those things you know...

Ivan Feinseth: Yes, me too.

Nick Pinchuk: I keep saying there are so many opportunities at Snap-on for growth. Every time we do something like this, we say to ourselves what happened. How is it we didn't think of that earlier?
So...

(Crosstalk)

Nick Pinchuk: Okay.

Ivan Feinseth: Congratulations and thanks again.

Nick Pinchuk: Thank you very much.

Aldo Pagliari: Thanks, Ivan.

Operator: And that concludes today's question-and-answer session. At this time, I would like to turn the conference back to Sara Verbsky for any additional or closing remarks.

Sara Verbsky: Thank you all for joining us today. A replay of this call will be available shortly on snapon.com. As always, we appreciate your interest in Snap-on. Good day.

Operator: And that does conclude today's conference. We thank you for your participation. You may now disconnect.