



Quarterly Financial Review

First Quarter 2020

Snap-on®

CAUTIONARY STATEMENT

- These slides should be read in conjunction with comments from the April 21, 2020 conference call. The financial statement information included herein is unaudited.
- Statements made during the April 21, 2020 conference call and/or information included in this presentation may contain statements, including earnings projections, that are forward-looking in nature and, accordingly, are subject to risks and uncertainties regarding Snap-on's expected results; actual results may differ materially from those described or contemplated in these forward-looking statements. Factors that may cause actual results to differ materially from those contained in the forward-looking statements, including those found in Snap-on's reports filed with the Securities and Exchange Commission, and the information under "Safe Harbor" and "Risk Factors" headings in its most recent Annual Report on Form 10-K and any Quarterly Reports on Form 10-Q, which all are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the April 21, 2020 conference call and/or included in this presentation, except as required by law.
- This presentation includes certain 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 regarding these non-GAAP measures is included in Snap-on's April 21, 2020 press release and Form 8-K, which can be found on the company's website in the investors section at www.snapon.com.

Who We Are

OUR MISSION

The most valued productivity solutions in the world

BELIEFS

We deeply believe in:

Non-negotiable Product and Workplace Safety
Uncompromising Quality
Passionate Customer Care
Fearless Innovation
Rapid Continuous Improvement

VALUES

Our behaviors define our success:

We demonstrate Integrity.
We tell the Truth.
We respect the Individual.
We promote Teamwork.
We Listen.

VISION

To be acknowledged as the:

Brands of Choice
Employer of Choice
Franchisor of Choice
Business Partner of Choice
Investment of Choice



Nick Pinchuk

**Chairman &
Chief Executive Officer**



Aldo Pagliari

**Senior Vice President &
Chief Financial Officer**

CONSOLIDATED RESULTS – 1ST QUARTER

(\$ in millions, except per share data - unaudited)	2020		2019		Change
	\$	%	\$	%	
Net sales	\$ 852.2		\$ 921.7		(7.5)%
➤ Organic sales	(62.7)				(6.9)%
➤ Acquisitions	3.5				0.4 %
➤ Currency translation	(10.3)				(1.0)%
Gross profit	\$ 421.6	49.5 %	\$ 471.6	51.2 %	
Operating expenses	282.7	33.2 %	284.2	30.9 %	
Operating earnings before financial services – as reported	\$ 138.9	16.3 %	\$ 187.4	20.3 %	(25.9)%
Operating earnings before financial services – as adjusted*	146.4	17.2 %	175.8	19.1 %	(16.7)%
Financial services revenue	\$ 85.9		\$ 85.6		0.4 %
Financial services operating earnings	56.9		62.1		(8.4)%
Operating earnings – as reported	\$ 195.8	20.9 %	\$ 249.5	24.8 %	(21.5)%
Operating earnings – as adjusted*	203.3	21.7 %	237.9	23.6 %	(14.5)%
Diluted EPS – as reported	\$ 2.49		\$ 3.16		(21.2)%
Diluted EPS – as adjusted*	\$ 2.60		\$ 3.01		(13.6)%

- Gross margin of 49.5% declined 170 basis points (bps) from 51.2% last year primarily due to lower sales volumes, as well as from higher sales in lower gross margin businesses, costs associated with COVID-19-related operating disruptions, 60 bps from restructuring costs and 10 bps of unfavorable foreign currency effects, partially offset by benefits from Rapid Continuous Improvement (“RCI”) initiatives
- Operating expense margin of 33.2% increased 230 bps from 30.9% last year primarily due to 120 bps from the non-recurring benefit of \$11.6 million from the 2019 legal settlement, the impact of lower sales volumes, 30 bps from restructuring costs and 10 bps of unfavorable foreign currency effects
- As a percentage of net sales, operating earnings before financial services of 16.3%, including 90 bps from \$7.5 million of restructuring costs and 20 bps of unfavorable foreign currency effects, compared to 20.3% last year, which included 120 bps of benefit from the legal settlement
- Financial services operating earnings in 2020 include \$2.6 million of higher credit reserve requirements as a result of economic uncertainty associated with COVID-19

* As adjusted to exclude costs related to restructuring actions, primarily in Europe, in 2020 and a benefit from a legal settlement in 2019; see reconciliation of non-GAAP Financial Measures starting on slide 14.

COMMERCIAL & INDUSTRIAL – 1ST QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment sales	\$ 299.9	\$ 322.5	(7.0)%
➤ Organic sales	(18.0)		(5.7)%
➤ Acquisitions	0.7		0.2 %
➤ Currency translation	(5.3)		(1.5)%
Gross profit	\$ 110.5	\$ 130.3	
% of sales	36.8 %	40.4 %	
Operating expenses	\$ 79.0	\$ 83.8	
% of sales	26.3 %	26.0 %	
Operating earnings	\$ 31.5	\$ 46.5	
% of sales	10.5 %	14.4 %	(390) bps

- Organic sales down \$18.0 million or 5.7%
 - Primarily due to lower sales in the segment's Asia Pacific operations and European-based hand tools business, partially offset by increased sales in the segment's power tools operations
 - Excludes \$0.7 million of acquisition-related sales and \$5.3 million of unfavorable currency translation
- Gross margin of 36.8% declined 360 bps from 2019 primarily due to 150 bps from restructuring costs, the impact of lower sales volumes, as well as from higher sales in lower gross margin businesses, costs associated with COVID-19-related operating disruptions and 20 bps of unfavorable currency effects, partially offset by savings from RCI initiatives
- The operating expense margin of 26.3% increased 30 bps from 26.0% last year
- Operating earnings of \$31.5 million, including \$4.4 million of restructuring charges and \$1.2 million of unfavorable foreign currency effects, compared to \$46.5 million in 2019; operating margin of 10.5% compared to 14.4% last year

SNAP-ON TOOLS – 1ST QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment sales	\$ 375.9	\$ 410.2	(8.4)%
➤ Organic sales	(31.8)		(7.8)%
➤ Currency translation	(2.5)		(0.6)%
Gross profit	\$ 160.4	\$ 183.1	
% of sales	42.7 %	44.6 %	
Operating expenses	\$ 111.8	\$ 115.9	
% of sales	29.8 %	28.2 %	
Operating earnings	\$ 48.6	\$ 67.2	
% of sales	12.9 %	16.4 %	(350) bps

- Organic sales down \$31.8 million, or 7.8%, including declines in both the segment's U.S. and international franchise operations
- Gross margin of 42.7%, declined 190 bps from 44.6% last year, primarily due to the impact of lower sales volumes, costs associated with COVID-19-related operating disruptions and 20 bps of unfavorable foreign currency effects
- The operating expense margin of 29.8% increased 160 bps primarily due to the impact of lower sales volumes, and 10 bps of unfavorable foreign currency effects
- Operating earnings of \$48.6 million, including \$1.4 million of unfavorable foreign currency effects, compared to \$67.2 million in 2019, and the operating margin of 12.9% compared to 16.4% last year

REPAIR SYSTEMS & INFORMATION – 1ST QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment sales	\$ 314.6	\$ 327.9	(4.1)%
➤ Organic sales	(12.9)		(4.0)%
➤ Acquisitions	2.8		0.9 %
➤ Currency translation	(3.2)		(1.0)%
Gross profit	\$ 150.7	\$ 158.2	
% of sales	47.9 %	48.2 %	
Operating expenses	\$ 73.4	\$ 74.6	
% of sales	23.3 %	22.7 %	
Operating earnings	\$ 77.3	\$ 83.6	
% of sales	24.6 %	25.5 %	(90) bps

- Organic sales down \$12.9 million
 - Decrease includes a decline in sales to OEM dealerships and in sales of undercar equipment, partially offset by increases in sales of diagnostic and repair information products to independent repair shop owners and managers
 - Excludes \$2.8 million of acquisition-related sales and \$3.2 million of unfavorable foreign currency translation
- Gross margin of 47.9% decreased 30 bps from 48.2% last year, primarily due to 20 bps from restructuring costs and 10 bps of unfavorable foreign currency effects
- The operating expense margin of 23.3% increased 60 bps from 22.7% last year primarily due to 80 bps from restructuring costs, partially offset by savings from RCI initiatives
- Operating earnings of \$77.3 million, including \$3.1 million of restructuring charges and \$0.7 million of unfavorable foreign currency effects, compared to \$83.6 million; the operating margin of 24.6% compared to 25.5% last year

FINANCIAL SERVICES – 1ST QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment revenue	\$ 85.9	\$ 85.6	0.4 %
Operating earnings	\$ 56.9	\$ 62.1	(8.4)%
Originations	\$ 255.6	\$ 252.5	1.2 %

- Originations increased \$3.1 million or 1.2%
- Average yield on finance receivables of 17.7% compared to 17.8% last year
- Average yield on contract receivables of 9.0% compared to 9.1% last year

FINANCIAL SERVICES PORTFOLIO DATA

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,505.8	\$ 1,869.6	\$ 179.6	\$ 249.5
Portfolio net losses (TTM)	\$ 47.4	\$ 50.2	\$ 3.0	\$ 4.1
60+ Delinquency:				
As of 3/31/20	1.7 %	1.4 %	0.8 %	1.0 %
As of 12/31/19	1.8 %	1.5 %	0.7 %	0.9 %
As of 9/30/19	1.7 %	1.4 %	0.7 %	0.8 %
As of 6/30/19	1.4 %	1.2 %	0.7 %	0.7 %
As of 3/31/19	1.5 %	1.3 %	0.7 %	0.8 %

- Gross finance portfolio of \$2,119.1 million as of March 31, 2020
 - Q1 portfolio decline of \$19.8 million

- TTM – Trailing twelve months

CASH FLOWS

(\$ in millions - unaudited)	1 st Quarter	
	2020	2019
Net cash provided by operating activities	\$ 213.4	\$ 201.3
➤ Net earnings	142.0	182.1
➤ Depreciation and amortization	23.8	22.6
➤ Changes in deferred income taxes	(3.6)	5.4
➤ Changes in working investment	12.4	(16.6)
➤ Changes in accruals and other liabilities	11.9	(3.7)
➤ Changes in all other operating activities	26.9	11.5
Net increase in finance receivables	\$ (22.1)	\$ (18.6)
Capital expenditures	\$ (17.2)	\$ (20.2)
Free cash flow	\$ 174.1	\$ 162.5
Free cash flow from Operations	\$ 143.0	\$ 132.3
Free cash flow from Financial Services	\$ 31.1	\$ 30.2
Increase in cash	\$ 1.3	\$ 15.5

- Changes in working investment – Net changes in trade and other accounts receivable, inventory and accounts payable
- Free cash flow – Net cash provided by operating activities less net change in finance receivables and capital expenditures
- Free cash flow from operations – Net cash provided by operating activities, exclusive of financial services, less capital expenditures
- Free cash flow from financial services – Net cash provided by financial services operating activities, less net change in finance receivables and capital expenditures

BALANCE SHEET

<i>(\$ in millions - unaudited)</i>	March 28, 2020	December 28, 2019
Trade & Other Accounts Receivable - net	\$ 635.2	\$ 694.6
Days Sales Outstanding	62	67
Finance Receivables - net	\$ 1,616.2	\$ 1,633.6
Contract Receivables - net	\$ 447.6	\$ 460.8
Inventory - net	\$ 757.4	\$ 760.4
Inventory turns - TTM	2.5	2.6
Cash	\$ 185.8	\$ 184.5
Total debt	\$ 1,108.3	\$ 1,149.8
Net debt	\$ 922.5	\$ 965.3
Net debt to capital ratio	21.7 %	22.1 %

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	1 st Quarter	
	2020	2019
Charges associated with exit and disposal activities (“restructuring charges”)		
Pre-tax restructuring charges	\$ (7.5)	\$ -
Income tax benefits	<u>1.5</u>	<u>-</u>
Restructuring charges, after tax	\$ (6.0)	\$ -
Weighted-average shares outstanding – diluted	55.0	56.3
Diluted EPS – restructuring charges	\$ (0.11)	\$ -
Benefit related to the settlement of a litigation matter (“legal settlement”)		
Pre-tax legal settlement	\$ -	\$ 11.6
Income tax expense	<u>-</u>	<u>(2.9)</u>
Legal settlement, after tax	\$ -	\$ 8.7
Weighted-average shares outstanding – diluted	55.0	56.3
Diluted EPS – legal settlement	\$ -	\$ 0.15

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	1 st Quarter	
	2020	2019
Operating earnings before financial services		
As reported	\$ 138.9	\$ 187.4
Restructuring charges	7.5	-
Legal settlement	-	<u>(11.6)</u>
As adjusted	\$ 146.4	\$ 175.8
Operating earnings before financial services as a percentage of sales		
As reported	16.3%	20.3%
As adjusted	17.2%	19.1%
Operating earnings		
As reported	\$ 195.8	\$ 249.5
Restructuring charges	7.5	-
Legal settlement	-	<u>(11.6)</u>
As adjusted	\$ 203.3	\$ 237.9
Operating earnings as a percentage of revenue		
As reported	20.9%	24.8%
As adjusted	21.7%	23.6%

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	1 st Quarter	
	2020	2019
Net earnings attributable to Snap-on Incorporated		
As reported	\$ 137.2	\$ 177.9
Restructuring charges, after tax	6.0	-
Legal settlement, after tax	-	(8.7)
As adjusted	\$ 143.2	\$ 169.2
Diluted EPS		
As reported	\$ 2.49	\$ 3.16
Restructuring charges, after tax	0.11	-
Legal settlement, after tax	-	(0.15)
As adjusted	\$ 2.60	\$ 3.01
Effective tax rate		
As reported	24.2 %	24.3 %
Restructuring charges	(0.1)%	-
Legal settlement	-	(0.1)%
As adjusted	24.1 %	24.2 %



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