



Quarterly Financial Review

Second Quarter 2020

Snap-on®

CAUTIONARY STATEMENT

- These slides should be read in conjunction with comments from the July 31, 2020 conference call. The financial statement information included herein is unaudited.
- Statements made during the July 31, 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 July 31, 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 July 31, 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 – 2ND QUARTER

(\$ in millions, except per share data - unaudited)	2020		2019		Change
	\$	%	\$	%	
Net sales	\$ 724.3		\$ 951.3		(23.9)%
➤ Organic sales	(214.9)				(22.9)%
➤ Acquisitions	2.3				0.2 %
➤ Currency translation	(14.4)				(1.2)%
Gross profit	\$ 341.2	47.1 %	\$ 473.8	49.8 %	
Operating expenses	250.1	34.5 %	283.9	29.8 %	
Operating earnings before financial services – as reported	\$ 91.1	12.6 %	\$ 189.9	20.0 %	(52.0)%
Operating earnings before financial services – as adjusted*	95.1	13.1 %	189.9	20.0 %	(49.9)%
Financial services revenue	\$ 84.6		\$ 84.1		0.6 %
Financial services operating earnings	57.6		60.6		(5.0)%
Operating earnings – as reported	\$ 148.7	18.4 %	\$ 250.5	24.2 %	(40.6)%
Operating earnings – as adjusted*	152.7	18.9 %	250.5	24.2 %	(39.0)%
Diluted EPS – as reported	\$ 1.85		\$ 3.22		(42.5)%
Diluted EPS – as adjusted*	\$ 1.91		\$ 3.22		(40.7)%

- The lower year-over-year sales volume primarily reflects the impact of the COVID-19 pandemic
- Gross margin of 47.1% declined 270 basis points (bps) from 49.8% last year primarily due to the impact of lower sales volumes, including costs to maintain manufacturing capacity, 40 bps of direct costs from COVID-19, 30 bps from restructuring actions and 10 bps of unfavorable foreign currency effects, partially offset by benefits from Rapid Continuous Improvement (“RCI”) initiatives
- Operating expense margin of 34.5% increased 470 bps from 29.8% last year primarily due to lower sales volumes, 40 bps of direct costs associated with COVID-19, 20 bps from costs related to restructuring actions and 10 bps of unfavorable foreign currency effects; the items were partially offset by savings from cost containment actions in response to lower sales volumes
- As a percentage of net sales, operating earnings before financial services of 12.6%, including 80 bps of direct COVID-19-related costs, 50 bps of restructuring costs and 20 bps of unfavorable foreign currency effects, compared to 20.0% last year

* As adjusted to exclude costs related to restructuring actions outside of the United States in 2020; see reconciliation of non-GAAP Financial Measures starting on slide 14

COMMERCIAL & INDUSTRIAL – 2ND QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment sales	\$ 261.9	\$ 335.0	(21.8)%
➤ Organic sales	(66.2)		(20.2)%
➤ Currency translation	(6.9)		(1.6)%
Gross profit	\$ 90.2	\$ 129.2	
% of sales	34.4 %	38.6 %	
Operating expenses	\$ 67.3	\$ 80.3	
% of sales	25.7 %	24.0 %	
Operating earnings	\$ 22.9	\$ 48.9	
% of sales	8.7 %	14.6 %	(590) bps

- Organic sales down \$66.2 million or 20.2%
 - Decrease includes mid-teen declines in both sales to customers in critical industries and in the segment's power tools operation
 - Excludes \$6.9 million of unfavorable currency translation
- Gross margin of 34.4% declined 420 bps from 2019 primarily due to the impact of lower sales volumes, including lower utilization of manufacturing capacity, 80 bps of costs related to restructuring actions, 70 bps of direct COVID-19-related costs and 50 bps of unfavorable foreign currency effects, partially offset by material cost savings and benefits from RCI initiatives
- The operating expense margin of 25.7% increased 170 bps from last year due to the impact of lower sales volumes and 50 bps for direct costs associated with COVID-19, partially offset by savings from cost containment actions
- Operating earnings of \$22.9 million, including \$3.0 million of direct COVID-19-related costs, \$2.0 million of restructuring charges and \$1.9 million of unfavorable foreign currency effects, compared to \$48.9 million in 2019; operating margin of 8.7% compared to 14.6% last year

SNAP-ON TOOLS – 2ND QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment sales	\$ 323.3	\$ 405.8	(20.3)%
➤ Organic sales	(79.2)		(19.7)%
➤ Currency translation	(3.3)		(0.6)%
Gross profit	\$ 134.8	\$ 182.9	
% of sales	41.7 %	45.1 %	
Operating expenses	\$ 96.4	\$ 111.6	
% of sales	29.8 %	27.5 %	
Operating earnings	\$ 38.4	\$ 71.3	
% of sales	11.9 %	17.6 %	(570) bps

- Organic sales down \$79.2 million, or 19.7%, primarily reflecting a mid-teen decline in the U.S. franchise operations and a nearly 40% decrease in the segment's international operations
- Gross margin of 41.7%, declined 340 bps from 45.1% last year, primarily due to lower sales volumes, including costs to maintain manufacturing capacity, 30 bps of direct COVID-19-related costs and 20 bps of unfavorable foreign currency effects
- The operating expense margin of 29.8% increased 230 bps from last year, primarily due to the impact of lower sales volumes, 30 bps of direct costs associated with COVID-19 and 20 bps of restructuring costs, partially offset by savings from cost containment actions
- Operating earnings of \$38.4 million, including \$1.9 million of direct costs associated with COVID-19, \$0.6 million of restructuring charges and \$1.1 million of unfavorable foreign currency effects, compared to \$71.3 million in 2019, and the operating margin of 11.9% compared to 17.6% last year

REPAIR SYSTEMS & INFORMATION – 2ND QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment sales	\$ 245.0	\$ 348.9	(29.8)%
➤ Organic sales	(101.4)		(29.5)%
➤ Acquisitions	2.3		0.7 %
➤ Currency translation	(4.8)		(1.0)%
Gross profit	\$ 116.2	\$ 161.7	
% of sales	47.4 %	46.3 %	
Operating expenses	\$ 65.6	\$ 73.1	
% of sales	26.7 %	20.9 %	
Operating earnings	\$ 50.6	\$ 88.6	
% of sales	20.7 %	25.4 %	(470) bps

- Organic sales down \$101.4 million
 - Lower volumes include declines of over 30% in both sales of undercar equipment and to OEM dealerships, as well as a mid-teen decrease in sales of diagnostic and repair information products to independent repair shop owners and managers
 - Excludes \$2.3 million of acquisition-related sales and \$4.8 million of unfavorable foreign currency translation
- Gross margin of 47.4% improved 110 bps from 46.3% last year primarily due the impact of reduced sales in lower gross margin businesses and savings from RCI initiatives, partially offset by 20 bps of direct COVID-19-related costs
- The operating expense margin of 26.7% increased 580 bps from 20.9% last year primarily due to the impact of lower sales volumes and 50 bps of restructuring costs, partially offset by savings from cost containment actions and RCI initiatives
- Operating earnings of \$50.6 million, including \$1.4 million of restructuring charges, \$0.7 million of direct costs associated with COVID-19 and \$0.8 million of unfavorable foreign currency effects, compared to \$88.6 million; the operating margin of 20.7% compared to 25.4% last year

FINANCIAL SERVICES – 2ND QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment revenue	\$ 84.6	\$ 84.1	0.6 %
Operating earnings	\$ 57.6	\$ 60.6	(5.0)%
Originations	\$ 255.8	\$ 263.4	(2.9)%

- Originations decreased \$7.6 million or 2.9%
- Average yield on finance receivables of 17.6% in both periods
- Average yield on contract receivables of 8.2% 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	\$ 1,533.3	\$ 1,914.3	\$ 188.0	\$ 259.1
Portfolio net losses (TTM)	\$ 47.5	\$ 50.5	\$ 2.9	\$ 3.8
60+ Delinquency:				
As of 6/30/20	1.0 %	0.8 %	0.7 %	1.0 %
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 %

- Gross finance portfolio of \$2,173.4 million as of June 30, 2020
 - YTD portfolio growth of \$34.5 million
 - Q2 portfolio growth of \$54.3 million

- TTM – Trailing twelve months

CASH FLOWS

(\$ in millions - unaudited)	2 nd Quarter		June YTD	
	2020	2019	2020	2019
Net cash provided by operating activities	\$ 253.6	\$ 145.5	\$ 467.0	\$ 346.8
➤ Net earnings	105.9	184.9	247.9	367.0
➤ Depreciation and amortization	23.8	23.0	47.6	45.6
➤ Changes in deferred income taxes	1.7	7.0	(1.9)	12.4
➤ Changes in working investment	60.0	(15.7)	72.4	(32.3)
➤ Changes in accruals and other liabilities	67.4	(66.0)	79.3	(69.7)
➤ Changes in all other operating activities	(5.2)	12.3	21.7	23.8
Net increase in finance receivables	\$ (35.0)	\$ (29.0)	\$ (57.1)	\$ (47.6)
Capital expenditures	\$ (11.8)	\$ (28.0)	\$ (29.0)	\$ (48.2)
Free cash flow	\$ 206.8	\$ 88.5	\$ 380.9	\$ 251.0
Free cash flow from Operations	\$ 193.8	\$ 80.2	\$ 336.8	\$ 212.5
Free cash flow from Financial Services	\$ 13.0	\$ 8.3	\$ 44.1	\$ 38.5
Increase in cash	\$ 500.4	\$ 7.6	\$ 501.7	\$ 23.1

- 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>	June 27, 2020	December 28, 2019
Trade & Other Accounts Receivable - net	\$ 563.5	\$ 694.6
Days Sales Outstanding	59	67
Finance Receivables - net	\$ 1,648.8	\$ 1,633.6
Contract Receivables - net	\$ 464.6	\$ 460.8
Inventory - net	\$ 784.0	\$ 760.4
Inventory turns - TTM	2.3	2.6
Cash	\$ 686.2	\$ 184.5
Total debt	\$ 1,448.8	\$ 1,149.8
Net debt	\$ 762.6	\$ 965.3
Net debt to capital ratio	17.9 %	22.1 %

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	2 nd Quarter		June YTD	
	2020	2019	2020	2019
Charges associated with exit and disposal activities (“restructuring charges”)				
Pre-tax restructuring charges	\$ (4.0)	\$ -	\$ (11.5)	\$ -
Income tax benefits	<u>0.7</u>	<u>-</u>	<u>2.2</u>	<u>-</u>
Restructuring charges, after tax	\$ (3.3)	\$ -	\$ (9.3)	\$ -
Weighted-average shares outstanding – diluted	54.8	56.0	54.9	56.2
Diluted EPS – restructuring charges	\$ (0.06)	\$ -	\$ (0.17)	\$ -
Benefit related to the settlement of a litigation matter (“legal settlement”)				
Pre-tax legal settlement	\$ -	\$ -	\$ -	\$ 11.6
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.9)</u>
Legal settlement, after tax	\$ -	\$ -	\$ -	\$ 8.7
Weighted-average shares outstanding – diluted	54.8	56.0	54.9	56.2
Diluted EPS – legal settlement	\$ -	\$ -	\$ -	\$ 0.15

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	2 nd Quarter		June YTD	
	2020	2019	2020	2019
Operating earnings before financial services				
As reported	\$ 91.1	\$ 189.9	\$ 230.0	\$ 377.3
Restructuring charges	4.0	-	11.5	-
Legal settlement	-	-	-	(11.6)
As adjusted	\$ 95.1	\$ 189.9	\$ 241.5	\$ 365.7
Operating earnings before financial services as a percentage of sales				
As reported	12.6%	20.0%	14.6%	20.1%
As adjusted	13.1%	20.0%	15.3%	19.5%
Operating earnings				
As reported	\$ 148.7	\$ 250.5	\$ 344.5	\$ 500.0
Restructuring charges	4.0	-	11.5	-
Legal settlement	-	-	-	(11.6)
As adjusted	\$ 152.7	\$ 250.5	\$ 356.0	\$ 488.4
Operating earnings as a percentage of revenue				
As reported	18.4%	24.2%	19.7%	24.5%
As adjusted	18.9%	24.2%	20.4%	23.9%

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	2 nd Quarter		June YTD	
	2020	2019	2020	2019
Net earnings attributable to Snap-on Incorporated				
As reported	\$ 101.2	\$ 180.4	\$ 238.4	\$ 358.3
Restructuring charges, after tax	3.3	-	9.3	-
Legal settlement, after tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8.7)</u>
As adjusted	\$ 104.5	\$ 180.4	\$ 247.7	\$ 349.6
Diluted EPS				
As reported	\$ 1.85	\$ 3.22	\$ 4.34	\$ 6.38
Restructuring charges, after tax	0.06	-	0.17	-
Legal settlement, after tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.15)</u>
As adjusted	\$ 1.91	\$ 3.22	\$ 4.51	\$ 6.23
Effective tax rate				
As reported	24.1 %	23.6 %	24.2 %	23.9 %
Restructuring charges	(0.2)%	-	(0.2)%	-
Legal settlement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As adjusted	23.9 %	23.6 %	24.0 %	23.9 %



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