



Quarterly Financial Review

**Third Quarter
2022**

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

Cautionary Statement

- These slides should be read in conjunction with comments from the October 20, 2022 conference call. The financial statement information included herein is unaudited.
- Statements made during the October 20, 2022 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, which are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the October 20, 2022 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 October 20, 2022 press release and Form 8-K, which can be found on the company's website in the investors section at www.snapon.com.



Nick Pinchuk

**Chairman and
Chief Executive Officer**



Aldo Pagliari

**Senior Vice President and
Chief Financial Officer**

Consolidated Results

| (\$ in millions, except per share data - unaudited) | Q3 2022 | | Q3 2021 | | Change |
|---|------------|--------|------------|--------|--------|
| | \$ | % | \$ | % | |
| Net sales | \$ 1,102.5 | | \$ 1,037.7 | | 6.2 % |
| ➤ Organic sales | 103.9 | | | | 10.4 % |
| ➤ Currency translation | (39.1) | | | | (4.2)% |
| Gross profit | \$ 532.6 | 48.3 % | \$ 520.7 | 50.2 % | |
| Operating expenses | 309.1 | 28.0 % | 319.4 | 30.8 % | |
| Operating earnings before financial services | \$ 223.5 | 20.3 % | \$ 201.3 | 19.4 % | 11.0 % |
| Financial services revenue | \$ 87.3 | | \$ 87.3 | | - % |
| Financial services operating earnings | 66.4 | | 70.6 | | (5.9)% |
| Operating earnings | \$ 289.9 | 24.4 % | \$ 271.9 | 24.2 % | 6.6 % |
| Diluted EPS – as reported | \$ 4.14 | | \$ 3.57 | | 16.0 % |

- Net sales in the period increased 6.2% from \$1,037.7 million in 2021, reflecting a 10.4% organic sales gain, and \$39.1 million of unfavorable foreign currency translation
- Gross margin of 48.3% declined 190 basis points (bps) from 50.2% last year primarily due to higher material and other costs, partially offset by higher sales volumes and pricing actions, benefits from the company's Rapid Continuous Improvement ("RCI") initiatives, and 30 bps of favorable foreign currency effects
- Operating expenses as a percentage of sales of 28.0% improved 280 bps from 30.8% last year primarily due to higher sales volumes and savings from RCI initiatives
- As a percentage of net sales, operating earnings before financial services of 20.3% improved 90 bps from 19.4% last year

Commercial & Industrial

| <i>(\$ in millions - unaudited)</i> | Q3 2022 | Q3 2021 | Change |
|-------------------------------------|----------------|----------------|---------------|
| Segment sales | \$ 356.8 | \$ 351.4 | 1.5 % |
| ➤ Organic sales | 26.2 | | 7.9 % |
| ➤ Currency translation | (20.8) | | (6.4)% |
| Gross profit | \$ 131.8 | \$ 134.1 | |
| % of sales | 36.9 % | 38.2 % | |
| Operating expenses | \$ 79.5 | \$ 80.5 | |
| % of sales | 22.2 % | 22.9 % | |
| Operating earnings | \$ 52.3 | \$ 53.6 | |
| % of sales | 14.7 % | 15.3 % | (60)bps |

- Organic sales up \$26.2 million, or 7.9%, primarily reflecting double-digit gains in the segment's Asia Pacific operations and specialty tools business, as well as a low single-digit increase in sales to customers in critical industries, despite lower activity with the military
- Gross margin of 36.9% declined 130 bps from 2021 primarily due to increased material and other costs, partially offset by benefits from the higher sales volumes and pricing actions, and 20 bps of favorable foreign currency effects
- Operating expenses as a percentage of sales of 22.2% improved 70 bps from 22.9% last year primarily due to the effects of higher sales volumes
- Operating earnings of \$52.3 million, including \$2.1 million of unfavorable foreign currency effects, decreased \$1.3 million, or 2.4%, compared to \$53.6 million in 2021; the operating margin of 14.7% compared to 15.3% last year

Snap-on Tools

| <i>(\$ in millions - unaudited)</i> | Q3 2022 | Q3 2021 | Change |
|-------------------------------------|----------------|----------------|---------------|
| Segment sales | \$ 496.6 | \$ 471.4 | 5.3 % |
| ➤ Organic sales | 34.1 | | 7.4 % |
| ➤ Currency translation | (8.9) | | (2.1)% |
| Gross profit | \$ 223.2 | \$ 215.9 | |
| % of sales | 44.9 % | 45.8 % | |
| Operating expenses | \$ 121.0 | \$ 117.7 | |
| % of sales | 24.3 % | 25.0 % | |
| Operating earnings | \$ 102.2 | \$ 98.2 | |
| % of sales | 20.6 % | 20.8 % | (20)bps |

- Organic sales up \$34.1 million, or 7.4%, reflecting a high single-digit gain in the segment's U.S. franchise business, partially offset by a low single-digit decrease in the segment's international operations
- Gross margin of 44.9% declined 90 bps from 45.8% last year primarily due to increased material and other costs, and 40 bps of unfavorable foreign currency effects, partially offset by benefits from higher sales volumes and pricing actions
- Operating expenses as a percentage of sales of 24.3% improved 70 bps from last year primarily due to the effects of higher sales volumes and benefits from RCI initiatives
- Operating earnings of \$102.2 million, including \$4.2 million of unfavorable foreign currency effects, increased \$4.0 million, or 4.1%, from 2021; the operating margin of 20.6% compared to 20.8% last year

Repair Systems & Information

| (\$ in millions - unaudited) | Q3 2022 | Q3 2021 | Change |
|------------------------------|----------|----------|--------|
| Segment sales | \$ 414.0 | \$ 364.4 | 13.6 % |
| ➤ Organic sales | 60.8 | | 17.2 % |
| ➤ Currency translation | (11.2) | | (3.6)% |
| Gross profit | \$ 177.6 | \$ 170.7 | |
| % of sales | 42.9 % | 46.8 % | |
| Operating expenses | \$ 82.2 | \$ 87.4 | |
| % of sales | 19.9 % | 23.9 % | |
| Operating earnings | \$ 95.4 | \$ 83.3 | |
| % of sales | 23.0 % | 22.9 % | 10 bps |

- Organic sales up \$60.8 million, or 17.2%, reflecting double-digit increases in activity with OEM dealerships and in sales of undercar equipment, and a low single-digit gain in sales of diagnostic and repair information products to independent repair shop owners and managers
- Gross margin of 42.9% declined 390 bps from last year primarily due to higher material and other costs, and increased sales in lower gross margin businesses; these declines were partially offset by benefits from pricing actions and savings from RCI initiatives, as well as 40 bps of favorable foreign currency effects
- Operating expenses as a percentage of sales of 19.9% improved 400 bps from last year primarily due to benefits from sales volume leverage, higher activity in lower expense businesses, and savings from RCI initiatives
- Operating earnings of \$95.4 million, including \$0.6 million of favorable foreign currency effects, increased \$12.1 million, or 14.5%, from \$83.3 million in 2021; the operating margin of 23.0% compared to 22.9% last year

Financial Services

| <i>(\$ in millions - unaudited)</i> | Q3 2022 | Q3 2021 | Change |
|-------------------------------------|----------------|----------------|---------------|
| Segment revenue | \$ 87.3 | \$ 87.3 | - % |
| Operating earnings | \$ 66.4 | \$ 70.6 | (5.9)% |
| | | | |
| Originations | \$ 300.2 | \$ 269.3 | 11.5 % |

- Originations increased \$30.9 million or 11.5%
- Average yields on finance receivables were 17.7% and 17.8% in 2022 and 2021, respectively
- Average yields on contract receivables were 8.6% and 8.5% in 2022 and 2021, respectively

Financial Services Portfolio Data

| (\$ in millions - unaudited) | United States | | International | |
|------------------------------|-----------------|------------|-----------------|----------|
| | Extended Credit | Total | Extended Credit | Total |
| Gross finance portfolio | \$ 1,562.5 | \$ 1,968.7 | \$ 185.1 | \$ 258.8 |
| Portfolio net losses (TTM) | \$ 39.4 | \$ 40.8 | \$ 2.8 | \$ 3.3 |
| 60+ Delinquency: | | | | |
| As of 9/30/22 | 1.5 % | 1.3 % | 0.8 % | 1.0 % |
| As of 6/30/22 | 1.4 % | 1.1 % | 0.8 % | 0.9 % |
| As of 3/31/22 | 1.6 % | 1.3 % | 0.8 % | 0.9 % |
| As of 12/31/21 | 1.6 % | 1.3 % | 0.6 % | 0.7 % |
| As of 9/30/21 | 1.4 % | 1.2 % | 0.6 % | 0.6 % |

- Gross finance portfolio of \$2,227.5 million as of Q3 2022
 - Q3 portfolio growth of \$27.2 million
 - YTD portfolio growth of \$23.5 million

- TTM – Trailing twelve months

Cash Flows

| (\$ in millions - unaudited) | 3 rd Quarter | | September YTD | |
|--|-------------------------|-----------------|-----------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net cash provided by operating activities | \$ 129.9 | \$ 186.4 | \$ 464.6 | \$ 743.9 |
| ➤ Net earnings | 229.5 | 201.5 | 689.4 | 612.3 |
| ➤ Depreciation and amortization | 24.4 | 24.9 | 75.5 | 75.1 |
| ➤ Changes in deferred income taxes | (7.0) | (0.6) | (14.1) | 3.4 |
| ➤ Changes in working investment | (132.6) | (69.1) | (287.6) | (29.7) |
| ➤ Changes in accruals and other liabilities | 19.7 | 22.3 | (18.2) | 34.0 |
| ➤ Changes in all other operating activities | (4.1) | 7.4 | 19.6 | 48.8 |
| Net increase in finance receivables | \$ (38.2) | \$ (7.6) | \$ (81.6) | \$ (14.2) |
| Capital expenditures | \$ (20.0) | \$ (16.2) | \$ (61.5) | \$ (53.8) |
| Free cash flow | \$ 71.7 | \$ 162.6 | \$ 321.5 | \$ 675.9 |
| Free cash flow from Operations | \$ 80.8 | \$ 136.1 | \$ 263.8 | \$ 562.5 |
| Free cash flow from Financial Services | \$ (9.1) | \$ 26.5 | \$ 57.7 | \$ 113.4 |
| Decrease in cash | \$ (53.6) | \$ (230.4) | \$ (20.7) | \$ (187.9) |

- 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> | October 1, 2022 | January 1, 2022 |
|---|----------------------------|----------------------------|
| Trade & Other Accounts Receivable - net | \$ 739.0 | \$ 682.3 |
| Days Sales Outstanding | 60 | 58 |
| Finance Receivables - net | \$ 1,687.3 | \$ 1,656.3 |
| Contract Receivables - net | \$ 488.8 | \$ 488.6 |
| Inventory - net | \$ 955.1 | \$ 803.8 |
| Inventory turns - TTM | 2.6 | 2.8 |
| Cash | \$ 759.3 | \$ 780.0 |
| Total debt | \$ 1,201.3 | \$ 1,200.3 |
| Net debt | \$ 442.0 | \$ 420.3 |
| Net debt to capital ratio | 9.3 % | 9.1 % |

Snap-on[®]

MAKERS
FIXERS[™]