



Quarterly Financial Review

**Fourth 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 February 2, 2023 conference call. The financial statement information included herein is unaudited.
- Statements made during the February 2, 2023 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 February 2, 2023 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 February 2, 2023 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)	Q4 2022		Q4 2021		Change
	\$	%	\$	%	
Net sales	\$ 1,155.9		\$ 1,108.3		4.3 %
➤ Organic sales	85.3				8.0 %
➤ Currency translation	(37.7)				(3.7)%
Gross profit	\$ 560.7	48.5 %	\$ 533.4	48.1 %	
Operating expenses	312.7	27.0 %	301.2	27.1 %	
Operating earnings before financial services	\$ 248.0	21.5 %	\$ 232.2	21.0 %	6.8 %
Financial services revenue	\$ 88.3		\$ 86.9		1.6 %
Financial services operating earnings	63.9		67.2		(4.9)%
Operating earnings	\$ 311.9	25.1 %	\$ 299.4	25.1 %	4.2 %
Diluted EPS – as reported	\$ 4.42		\$ 4.10		7.8 %

- Net sales in the period increased 4.3% from \$1,108.3 million in 2021, reflecting an 8.0% organic sales gain, and \$37.7 million of unfavorable foreign currency translation
- Gross margin of 48.5% improved 40 basis points (bps) from 48.1% last year primarily due to higher sales volumes and pricing actions, 40 bps of favorable foreign currency effects, and benefits from the company's Rapid Continuous Improvement ("RCI") initiatives, partially offset by higher material and other costs
- Operating expenses as a percentage of sales of 27.0% improved 10 bps from 27.1% last year
- As a percentage of net sales, operating earnings before financial services of 21.5% improved 50 bps from 21.0% last year

Commercial & Industrial

<i>(\$ in millions - unaudited)</i>	Q4 2022	Q4 2021	Change
Segment sales	\$ 343.2	\$ 358.7	(4.3)%
➤ Organic sales	5.7		1.7 %
➤ Currency translation	(21.2)		(6.0)%
Gross profit	\$ 129.4	\$ 130.9	
% of sales	37.7 %	36.5 %	
Operating expenses	\$ 81.5	\$ 80.8	
% of sales	23.7 %	22.5 %	
Operating earnings	\$ 47.9	\$ 50.1	
% of sales	14.0 %	14.0 %	- bps

- Organic sales up \$5.7 million, or 1.7%, primarily reflecting a double-digit gain in the segment's specialty tools business, as well as a low single-digit increase in sales to customers in critical industries, despite lower activity with the military, partially offset by a mid single-digit decline in the segment's European-based hand tools business
- Gross margin of 37.7% improved 120 bps from 2021 primarily due to increased sales volumes and pricing actions, benefits from RCI initiatives, and 20 bps of favorable foreign currency effects, partially offset by higher material and other costs
- Operating expenses as a percentage of sales of 23.7% increased 120 bps from 22.5% last year primarily due to reduced sales in lower-expense businesses
- Operating earnings of \$47.9 million, including \$2.3 million of unfavorable foreign currency effects, decreased \$2.2 million, or 4.4%, compared to \$50.1 million in 2021; the operating margin of 14.0% was unchanged from last year

Snap-on Tools

<i>(\$ in millions - unaudited)</i>	Q4 2022	Q4 2021	Change
Segment sales	\$ 542.7	\$ 504.8	7.5 %
➤ Organic sales	47.4		9.6 %
➤ Currency translation	(9.5)		(2.1)%
Gross profit	\$ 234.4	\$ 221.5	
% of sales	43.2 %	43.9 %	
Operating expenses	\$ 118.3	\$ 111.0	
% of sales	21.8 %	22.0 %	
Operating earnings	\$ 116.1	\$ 110.5	
% of sales	21.4 %	21.9 %	(50) bps

- Organic sales up \$47.4 million, or 9.6%, reflecting a double-digit gain in the segment's U.S. franchise business, and a low single-digit increase in the segment's international operations
- Gross margin of 43.2% declined 70 bps from 43.9% last year primarily due to 40 bps of unfavorable foreign currency effects, increased sales of lower gross margin products, and higher material and other costs, partially offset by benefits from higher sales volumes and pricing actions
- Operating expenses as a percentage of sales of 21.8% improved 20 bps from last year
- Operating earnings of \$116.1 million, including \$4.5 million of unfavorable foreign currency effects, increased \$5.6 million, or 5.1%, from 2021; the operating margin of 21.4% compared to 21.9% last year

Repair Systems & Information

(\$ in millions - unaudited)	Q4 2022	Q4 2021	Change
Segment sales	\$ 437.9	\$ 392.5	11.6 %
➤ Organic sales	54.9		14.3 %
➤ Currency translation	(9.5)		(2.7)%
Gross profit	\$ 196.9	\$ 181.0	
% of sales	45.0 %	46.1 %	
Operating expenses	\$ 86.3	\$ 83.8	
% of sales	19.7 %	21.3 %	
Operating earnings	\$ 110.6	\$ 97.2	
% of sales	25.3 %	24.8 %	50 bps

- Organic sales up \$54.9 million, or 14.3%, reflecting double-digit increases in sales of undercar equipment, in activity with OEM dealerships, and in sales of diagnostic and repair information products to independent repair shop owners and managers
- Gross margin of 45.0% declined 110 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 80 bps of favorable foreign currency effects
- Operating expenses as a percentage of sales of 19.7% improved 160 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 \$110.6 million, including \$2.1 million of favorable foreign currency effects, increased \$13.4 million, or 13.8%, from \$97.2 million in 2021; the operating margin of 25.3% compared to 24.8% last year

Financial Services

<i>(\$ in millions - unaudited)</i>	Q4 2022	Q4 2021	Change
Segment revenue	\$ 88.3	\$ 86.9	1.6 %
Operating earnings	\$ 63.9	\$ 67.2	(4.9)%
Originations	\$ 299.7	\$ 256.3	16.9 %

- Originations increased \$43.4 million or 16.9%
- Average yields on finance receivables were 17.6% and 17.7% 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	\$ 1,596.5	\$ 2,001.9	\$ 197.4	\$ 276.3
Portfolio net losses (TTM)	\$ 40.8	\$ 42.5	\$ 3.0	\$ 3.5
60+ Delinquency:				
As of 12/31/22	1.6 %	1.3 %	0.8 %	1.1 %
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 %

- Gross finance portfolio of \$2,278.2 million as of Q4 2022
 - Q4 portfolio growth of \$50.7 million
 - YTD portfolio growth of \$74.2 million

- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	4 th Quarter		Full Year	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 210.6	\$ 222.7	\$ 675.2	\$ 966.6
➤ Net earnings	244.5	229.1	933.9	841.4
➤ Depreciation and amortization	24.7	29.7	100.2	104.8
➤ Changes in deferred income taxes	3.8	5.0	(10.3)	8.4
➤ Changes in working investment	(86.8)	(50.3)	(374.4)	(80.0)
➤ Changes in accruals and other liabilities	(23.3)	(19.7)	(41.5)	14.3
➤ Changes in all other operating activities	47.7	28.9	67.3	77.7
Net increase in finance receivables	\$ (47.3)	\$ (9.7)	\$ (128.9)	\$ (23.9)
Capital expenditures	\$ (22.7)	\$ (16.3)	\$ (84.2)	\$ (70.1)
Free cash flow	\$ 140.6	\$ 196.7	\$ 462.1	\$ 872.6
Free cash flow from Operations	\$ 143.6	\$ 156.5	\$ 407.4	\$ 719.0
Free cash flow from Financial Services	\$ (3.0)	\$ 40.2	\$ 54.7	\$ 153.6
Increase (decrease) in cash	\$ (2.1)	\$ 44.5	\$ (22.8)	\$ (143.4)

- 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>	December 31, 2022	January 1, 2022
Trade & Other Accounts Receivable - net	\$ 761.7	\$ 682.3
Days Sales Outstanding	61	58
Finance Receivables - net	\$ 1,733.0	\$ 1,656.3
Contract Receivables - net	\$ 493.7	\$ 488.6
Inventory - net	\$ 1,033.1	\$ 803.8
Inventory turns - TTM	2.5	2.8
Cash	\$ 757.2	\$ 780.0
Total debt	\$ 1,201.0	\$ 1,200.3
Net debt	\$ 443.8	\$ 420.3
Net debt to capital ratio	9.0 %	9.1 %

Snap-on[®]

MAKERS
FIXERS[™]