Operator: Please stand by, we're about to begin. Good day and welcome to the Snap-on Incorporated First Quarter Associate Financial Review conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Aldo Pagliari, Chief Financial Officer. Please go ahead, sir.

Aldo Pagliari: Good morning to people here in Kenosha and in North America and of course good afternoon to our friends in Europe and good evening to our colleagues in Asia who might be listening in on the call.

We're going to talk a little bit today about Q1. As most of you know, lunar year is represented by different types of characters and the question for this year would be does Snap-on enter 2015 as a sheep or a ram? And I am pleased to report that if you look at our results for Q1 we came out of the blocks ram tough.

So again, congratulations to everyone on the call, this clearly is the year of the sales team. And why do I say that? Let's look at the numbers that you see up here. Nine point nine percent I'll call your attention to, that's what we call our organic sales growth rate. That means if you take out the noise of acquisitions and take out the effects of currency, which I'll talk about in a second, and which are not insignificant, you get a better year over year comparison apples to apples as to how the sales are performing. So it's not a unit comparison, which is the best measure of all if you look
at all product sales unit to unit, but it's a great surrogate to show what's happening in the world if you look on an organic basis and take away the effects of currency, which can be quite pronounced.

Nine point nine percent is just simply an awesome start to the year. If you look at the type of GDP economies we compete in, United States being one of the principle ones of course, you have growth of maybe 2%, maybe, they're revising of the statistics downward each and every week it seems.

You saw the export statistics come out this morning and they were appalling, the worst in six years. Again I'm going to come back to currency. That was one of the factors affecting that. And you look at Europe and, you know, fairly neutral to slightly positive to slightly negative growth rates in those environments and even mighty China, which historically has been growing 7 plus percent has rescinded to a meager 6.5% to 7%, who knows where it lands. But again, not at historic levels.

This is a great performance, 9.9% is a great performance so again I applaud everyone who was involved, that's the people behind the scenes, the warehouses, the people that staged the inventory and of course the people that represent us and sell it to our distributors direct and through the mobile van channel, a simply fantastic start.

The number underneath it, the 5.1%, I'll touch on for just a second, this is how the world first sees us. This is what we call as reported sales, 5.1% which is still an impressive number given the GDP backdrop that I just described.

But what it shows is that you have that gap really represents the effect of currency headwinds. We lost to currency, the combination of translation and transaction effect, $38.5 million on the
sales line, not so insignificant if you look at the overall sales number. And about $6.9 million before taxes at the bottom line.

So what that means when I talk about earnings per share, currencies actually cost Snap-on 8 cents in the quarter, about 4% of our collective earnings, so again not insignificant. One more variable that has to be managed, but one more reason as we go forward through today why we’re going to continue to talk about the importance of sales momentum and continuing that pace.

That is in fact what delivered Snap-on from evil and you’re going to see eventually throughout the day here, that is what sets us apart from many of our competitors and others in this industrial sector.

So you look at the 16.7% on higher sales you usually do better and we did, 120 basis points improvement year over year, not too shabby, pretty good. If you look at the credit company results they’re up about 17.15%, 17.2% rounded. Originations up 14.2%. Again, they participated in the growth and I’m sure Mr. Kassouf is going to talk about in the tool channel because you’re going to see that they had just a gang busters quarter globally, not just in the US but globally.

And finally 15.4% increase in earnings per share. $1.87, pretty good. Better than what people expected. It’s kind of what we expect of ourselves but we were pleased with these types of results.

And finally, on the bottom, if you look there’s a subtle thing there, and it’s not highlighted in yellow, it’s my mistake, I didn’t highlight it but I’ll talk about a little bit in a second. Even though we made more money this year, we actually made $15 million more in this quarter after taxes, net income. You’ll see now wait a minute; this is less cash, what the heck is happening to the cash?
Well Connie Johnsen knows. More inventory, more receivables and FinCo, timing of certain tax payments. But my point that I'm getting at, we continue to invest as if sales will continue to accelerate and that's the attitude we got to bring to Q2 and the balance of the year and that's how the corporation is positioned.

So if you look ahead here you'll see, okay, our receivables are up, top line, it's not highlighted, but not so bad. Actually in terms of day sales outstanding if you look at on a ratio basis versus sales it looks pretty good. We're actually down a day. Again, kudos, people have made dramatic improvements on sales and collections which is no small feat because you're dealing on a global level with some economies that are difficult.

Try collecting receivables in Russia, not an easy task when the ruble is devaluing and they have made hard currency obligations to pay us back in euros or dollars or what have you. Same exists in places like Indonesia which has been hit precipitously and in Japan by the remnants of major currency devaluations that occurred several months ago.

Inventory, again, higher, a little deterioration so we in finance always kind of watch it a little bit more carefully but there's plenty of inventory available to serve our customer's needs and that's in fact what we need to do.

And again if you look at the cash position of the company a little bit less cash because we actually had to borrow a little bit more because of the timing of certain payments and what have you. We actually borrowed a little bit more this year than we have and you'll see a slight increase in the amount of debt, and we're okay with that. We don't mind investing for the organic growth.

And there you see the tail of the tape. Now this is organic growth, the rest of my colleagues will get on stage on will talk more about what we call group level performance but this is what the outside world sees.
Again, these numbers represent collective successes but also overcoming some drag and having some drag is kind of okay because that means we have things still to work on. So you look at Commercial Industrial, they came out of the block sparkling in the world of SNA Europe. SNA Europe actually in the collective world of 12.7%, that's outstanding when you look at the European environment and some of the emerging markets that they serve.

Yet there's certain emerging markets that still present problems, complications when you deal with places like Venezuela and Peru and Columbia and China and India, you know, not hitting on all cylinders. You look at the world of aerospace, very difficult comparisons. Industrial managed to overcome that with major successes throughout their portfolio of products particularly in natural resources and in the military, you're going to hear about that.

Tools group, fantastic really across the world so I'll let Tom talk to that but strong performance both internationally and in the United States. And then if you look at RS&I, still some opportunities for improvements. There's been supersonic results at Mitchell, at EQS but we still have opportunities when it comes to the eastern theater of Europe. Still hard to sell big ticket items in some of the economies like Russia. And of course electronic parts catalogue is an expensive proposition so you need to cultivate over a long period of time the type of clients you server in that arena and that gives us upside opportunity.

And then this is a chart - this is easy to present for me because the last several quarters have been kind of a good news story. And again I'll just give you a theory that Irwin will tell you all to discount completely but you say why is Snap-on separating? You look at the earnings release, you look at it, why are we separating ourselves from the pack?

And I actually believe - I come back to my opening statement, 9.9% organic growth in Q1; 9.8% organic growth in Q4 of last year. People are seeing Snap-on differentiate itself from the crowd.
We’re not growing at pedestrian 3% or 4% or 5% returns which is what maybe the industry average might be.

And the trick is now people have said, well, they grew 9.8%, 9.9%, I’m sure they’re going to grow 7%, 8%, 9% in Q2 and Q3 because if you look at what they expect us to make you’d have to derive that type of growth rate to get anywhere near those type of numbers.

So the good news is people believe in us. People are starting to look at Snap-on as more of a growth-oriented company versus a value-oriented play. We’ve been kind of on that borderline now for a while but if you look at the stock and you look at the performance I’d postulate, you look at the investor base, we’re starting to be viewed upon a little bit more so as being growth oriented.

So with that note I will turn it over to the champions of all of our future growth and sales development here, the operating folks. So, Thomas. Keep going, buddy.

Tom Kassouf: Thanks, Aldo. Well first I’d like to offer Feliz Cinco de Mayo to everybody for whom that’s important. You know, as Aldo said that it was in fact a good quarter for SOT. External sales up 12.9%, it was across the board so we did well everywhere including where people would expect some difficulties.

And what's encouraging for me in terms of external sales is that the momentum is there and we try to prolong it as far as we can. So if we take a look at the trailing 12 months from the end of Q1 we see that our sales - our external sales are up $126.4 million. In fact they've been accelerating in the last two quarters.

And our sales growth going back 12 months, 9.4% which is the highest we've had since the change from 2011 to 2012. So even though we've grown we're still finding opportunities. Our
customers still value what you all provide in terms of outstanding products and the outstanding service that our franchisees provide them every week. So as long as there continues to be value and as long as we can maintain our creativity and innovation we have runways for growth.

And in terms of our profitability, 23.9% and while that's still - we have a ways to go to reach our future state, that is the best first quarter profitability that we've ever experienced in the Tools group and we're excited about that as well. So RCI continues to be a part of what we do and we're able to leverage in fact the higher sales so all good news.

And while the cash flow at Group level and the RONAEBIT is not particularly meaningful, these are at least consistent measures applied at Group and so we see great improvements here as well and we're encouraged by that.

And safety, you know, I've shown here the last several years full year results and then the first quarter results. And as you can see if you take a look at the first quarter alone we do have an incident rate below 1. Our goal is to try to maintain this momentum. There are no guarantees.

We clearly believe that every accident is preventable but in fact, okay, we haven't prevented every accident. So there's room to grow but we start off the year with a more favorable outcome than we've had in the last several.

We of course have our kick-off meetings in January every year, 45 meetings across North America. We had sales that were over $123 million, were up 30%, our average franchisee placed orders for $38,000 worth of products. We got to spend time with our franchisees in intimate settings across North America and in fact in Australia and the UK where we're incidentally celebrating our 50th anniversary of doing business as Snap-on Tools with our franchise network.
And the results from that are not only these sales results that we share but as always we take encouragement from the optimism of our franchisees. And I can tell you that at least in the kick-off meetings I attended and the reports I got back certainly seconded that our franchisees are in fact optimistic. They have never been more successful, that’s what we aim for. And they are optimistic about their continued and growing success into the future.

We also launched, with our franchisee network, our 95th anniversary. And we also looked at particular programs to help them grow their business and in fact accelerate that growth with RA programs, contests to develop higher paid - higher paid sales through increased collections in their calls on customers every week.

And how do actually continue to achieve that growth? Well, we’ve talked about some of these programs many times. We’ve expanded the space available so that we can showcase more of our wares and our offerings. And through programs like the Rock-n-Roll cab express.

We have 66 on the road now, 54 in the US and 12 internationally. And we continue to see growth in terms of store to store sales. And seconding that activity with the Tech-Know vans we have now a fleet of 35 and we hope to build out that fleet in North America by the end of this year. So, you know, encouraging that we still have runways for growth with our programs.

And of course if we got all these increased sales but couldn’t actually take advantage of supplying the product that people have ordered we find in short shrift we would see a slowdown in our increases. But in fact, Mike Gentile and his operations team have been up to the task to continue to try to stay ahead of the curve.

Just to take a look at one representative example in Milwaukee where sockets are crucial to our complete and on-time delivery performance and where we’ve had tremendous acceleration of orders through the selling of sets and promotions that are affected.
We've seen that just in the last 18 months we've managed to increase our output by 42%. In fact if you look back from 2009 the compounded annual growth rate of production for sockets has been 16%, that's actually an astounding number. You all know that we've increased the footprint of the factory last year, it's full as you can see in this panoramic view. We're looking towards the expansion and of course almost all of that space is completely populated by productive machines.

And we're adding - we added a cold former two years ago, we're adding one this year to continue the pace of acceleration. And not all of it was capital expenditures, a lot of our increase has come from just finding ways to do our job more efficiently through RCI. And we've had tremendous accelerations and output just from that sort of thinking man's creativity.

And then, you know, we continue to provide - increase our service in other ways because we know that without the service that surrounds our products the value wouldn't be there. And so for example here we talked about last year extended hours in customer care and not just in customer care within SOT but in IT and in diagnostics and in credit.

And recently we've introduced the ability to respond almost instantly to text messages. Why is that important? It's important because our franchisees often find that they have a very quick question that they'd like answered but they want to send the question and then take the answer when it's convenient to them and not have to interrupt their flow of interacting with customers and sort of fact to face direct selling because they're on the phone.

And so texting becomes important. And they also communicate with their customers oftentimes and increasingly through text. So we've added this capability and as we begun to roll it out we see that in the first quarter we've had significant ramp up of the use of, you know, communication with Snap-on customer care by text.
And in fact, we found this for the first quarter that we're actually able to answer a text on average in 82 seconds, which seems kind of incredible. The secret to this is apparently a lot of the questions are a similar form. What's the price for, fill in the blank? How many of these are in stock? And so by judiciously picking those, you know, responses and merely filling in the blank we're able to give this kind of service. And people are responding well to it.

Now talk about some product launches. Some are pretty simple like the soft grid 36" breaker bar. Give me a lever long enough and I can move the earth. Of course it doesn't have to only be long enough, it has to be strong enough. And so the technology that we're able to bring to bear and the clever design actually allowed us to offer 36" breaker bar that was long enough to give leverage to the technician for those difficult to remove fasteners but also strong enough to ensure that they stay safe in using it and they're less likely to go ahead and get the cheater bar to slip over this.

And this is the second version but we'll sell over $1.6 million worth of this product in the coming months. And then we find that we get input in a lot of different ways. We talked about the Rock-n-Roll cab express. It's an opportunity for our customers to come on board and have a more in depth discussion about what they really desire, not just their needs but their wants for tool storage.

And repeatedly we got requests for wider drawers, longer drawers, deeper drawers. And as we fielded these requests from the Rock-n-Roll cab we realized this a product that has a ready made following and sure enough, after some design work to ensure that the integrity in the carcass and the drawers was, you know, was there to offer three super-wide drawers, that's the product we introduced. You can see the results here. We'll sell over 3000 units and expect in the first 12 months to garner $21 million in sales.
And then the jack, you know, it was several years ago that we began to get complaints from our franchisees that the jacks that we were offering and branding Snap-on weren't worthy of the brand promise they've come to expect from us. And we looked into it and sure enough they were right.

We had, along with others, commoditized our jack in pursuit of lowest price forgetting the fact that people don't come to us for lowest price because we will never offer it. We in fact offer the best product available covered in the best service and that's what our value proposition is. And so we went back to the drawing board and we looked at ways to offer a superior jack.

And what we find ourselves is almost unable to keep up with demand. So we launched in fourth quarter, we expect this year and we're on pace to sell 25,000 jacks, $12.5 million and last year we sold 3000. So something as pedestrian as a jack if we infuse it with the innovation that our customers expect from Snap-on we can in fact change our world.

And then I want to talk about the new Snap-on tools catalogue, if anybody in this audience wants one and doesn't have one you can see, you know, Yvette Morrison or just send us an email and we'll get you one right away.

Look, we spent a long time in making this new catalogues. It's just a catalogue. But it actually takes the input from our franchisees and our customers, it has 168 incremental pages. We actually pridefully talk about our associates that make the products that our customers crave.

We celebrate our customers. And we've added, you know, more new products, 1500 additional products and 17,500 SKUs altogether. It is a great representation. I view this catalogue as a companion for our customers between their franchisee visits.
And then finally, sales associates, so why are we encouraged about the future? Well there’s a lot of reasons, but one of them is is that we continue to find ways to RSVI the franchisee’s effort. And this is one that’s actually completely sponsored by the franchisees themselves.

As we began to get more and more franchisees that were doing spectacularly, and my definition of that is over $1 million in paid sales a year, they simply found that it was hard to keep pace with getting 40 or more boxes a week, filing the truck, fulfilling all these orders, keeping track of everything.

And they began to hit on the fact it’s been around but dormant for many years that in fact if they had help in interfacing with the customers, not just cleaning the truck or emptying the boxes or stocking the shelves, but in actually working the customers, they could survive and sustain the activity level that they - you require at $1 million a year.

And so leveraging those experience, word of mouth amongst franchisees, has led to a firestorm of increase in sales assistance and we believe that this will fuel their growth in the future which will fuel our growth. And so you can see here the rise. We actually at the end of first quarter had 443 in the US and actually I just checked the numbers this morning, 464 as of the end of April. So this continues to grow like wildfire. So these are our results.

We are in fact encouraged. We have many reasons why they happen. It is an effort that requires not only everybody in SOT but the people in credit and in diagnostics and in equipment and Nexiq and in power tools to make this happen. And it has happened.

So with that I’m going to turn it over to Anup Banerjee. Thanks.

Anup Banerjee: Okay. Now I will present the first as commercial and industrial group, we'll start off with the Europe and then cover Asia and then come closer to home and the commercial unit.
SNA Europe, as Aldo said, SNA Europe had a great quarter. This is their 12 – it gives you the number and then goes to the next slide, you know, 12% improvement in sales and 372 basis point improvement in operating profits.

And what it shows here is that the improvement of the 12% or close to 13% has come from all business groups across then to all the regions. So we could see a recovery in more or less the broad segment of the Europe businesses.

This is the Q1 of this year is the 12th consecutive quarter that they have been having year over year improvement. And this is a great sign of everything we hear about the European economy that SNA Europe is coming back. Cost control and cost containment is one of the great successes that has been a result of this profitability.

And they feel pretty okay about the next couple of quarters, you know. Of course you have political uncertainty in the Middle East and some effects in part of Eastern Europe. But as of now the costs are under control. They have a very structured sales force focus on the areas of growth. And I'm told that they feel pretty confident about the next couple of quarters.

Asia, you can see here the Asia numbers, sales up 14.6%, profits up 14.6% as well. And if we do, you know, Asia is a whole basket of goods there, right, different countries, different products that they sell. And each of those countries have their own challenges, you know.

The Chinese economy goes up and down on the products that we sell there as, you know, saws is one of the big products we sell. We sell equipment products as well. So that's a capital investment. And depending on the credit availability in countries like India and China those sales fluctuate.
So they have the basket of goods there. They feel good about Japan, you know, FX has been a big effect on Japan, it has gone against us. But for last quarter Japan grew by 8% so they feel good about that. But they have their own challenges in different countries. But as a whole, 15% improvement in sales with a 15% improvement in a OI margin, there's the summary of the area.

Now we come to our business. Safety, you know, Q1 was not the best quarter for us on safety. As it shows here, we had four incidents in our facilities across the US. Three of them were reportable but no days lost, you know, they're like minor incidents. But as well agree that every accident is avoidable, right, so they had normally bruises and sprains that people had in lifting things.

But we had one accident where we had, you know, quite a few days lost and that was an individual in our Murphy facility who fell and slipped on the ice. And it doesn't snow that much in Murphy but it did and it was on a night shift and the person injured herself. So that's the thing that on hindsight we wish you could have done something to avoid it.

Now we did all the things possible but we have to now come back and think, okay, so we know it does snow in Murphy from time to time and when it does, what do we do to prevent similar incidents of an associate hurting herself or himself?

So there's room for improvement on this. You know, we had a much better track record in the past so I'm slightly perturbed with that happened within incidents in the last quarter and we are trying to work upon it.

The financial numbers, if we look at commercial, this is in the right column, the commercial group as a whole, sales are up over 9% and 9% sales up, 9.7% profit. And if we look at the breakout of the businesses industrial group sales are up 8%, profits are up 9% - 8.9%, so improvement all around.
Power tools had a gang-buster quarter but in power tools there's a lot of timing, you know, we work very closely with the tools group so they're linked up with the promotions through the kick off shipment. So we feel good about it but then it will not be reflected every quarter, it's a timing of it, right. The power tools growth plan is 10%, 11% year over year. So the 15%, 17%, surge is on the timing of the thing but it was a good year. It was a good year. And we're going to talk in details about power tools later on.

In our torque business, City of Industry business, you know, sales were down $500,000 on a year over year basis but our profits were up $500,000 so we have made improvements in that business. We have brought back contained cost, improved efficiency. And we are working on new products to come out and I think we're expecting that Q2 will be even better than what we got here.

If we look at the industrial business group, you know, organic sales up 8%, operating profit is up 8% as well. The profit in theory should have been up more than 8% but, you know, we always say is the product mix that drives the profitability.

US military was strong in Q1. We had a very, very good quarter on the US military business. Critical industry was up, aviation, oil and gas, railroad - oh yeah, aviation was down, I'm sorry, aviation was down. Part of that is we had last year in the quarter we had a big order that was shipped out on aviation. So that did not repeat itself but it made it up in other products.

The main thing to keep, you know, what encourages us in the industrial business is, you know, over the last two years more and more of our businesses are based on big project orders, big orders, you know, $20 million plus, $10 million plus, sort of orders we get.
And we do know that they don't repeat itself every year. We do know that the timing is different year over year on how those orders come in. But we feel good that in spite of those orders, you know, over the last two quarters we had prior years, very very big orders that went out. This year we didn't have those orders going out but in spite of that we were able to make up in the different other segments of our business which ended up industrial being 8% improvement year over year.

So we are encouraged that we have now figured out earlier, you know, we very often will say that, okay, we missed the numbers because last year we had a big order, you know, as in we have got over the hump, we have now figured out that, yes, every year there'll be big orders over last year. But we have to figure out how we recover it. And I think we feel pretty good about it that we have done that this year.

Looking forward, you know, we - as of the order book situation we feel the military business will be robust in Q2. Technical education we really don't know, you know, the signs in the media, the government's approach to private education doesn't look very encouraging, you know.

But business have been down about 3.5% in Q1. It is not - it is not a devastation but we are keeping eyes on on that side of the business. But we think that we have some headwinds in the upstream oil and gas business, you know, we know that oil and gas with the cost of oil today. But, you know, it's not that big a business for us. So bottom line we feel positive about Q2. We don't see any major signs of slowing down in the segments we do business in.

Okay, what drives us, you know. We talk about the product lines that helps to achieve the results here. And here is a few samples of this. That, you know, we get better and better in serving the customer, in trying to create that customer connection, we try to understand what the customer needs are, the product needs are. We work with the tools group to develop certain products.
We work with the tool storage business to come up with different version of toolboxes that will satisfy the customers. And what you got here is, you know, we have come - this year we are going to launch over the next six months is going to be the new aviation drill. We are going to have the aluminum torque control for the aviation industry upon specific request of the customer.

Hydraulic bolting for the oil and gas industry, and we are also launching the new ATC box, you know, which is going to have, you know, bigger screen, about 40% bigger touchless screen to work on. It is going to have a better work surface on the top and it'll have a battery backup so in case there's a power failure it'll still hold the data, so that box is going on. So we continue to drive our sales growth by innovation and new products.

Power and specialty tools, you know, power tools we feel encouraged. We go. We have figured out how to be efficient in the factory. We do know that the cordless tool is the way to go, that is one of the growing areas, SOT helps us a lot to sell cordless tools.

But historically we made more money in pneumatic tools. Now we are figuring out if the market is going to - is pushing selling more in cordless tools, how do we make more money in cordless tools? And I think we are getting there. Our drop through, our OI percentage on cordless tools is improving period over period. And we feel encouraged that in the long run our cordless tools will be as profitable as our pneumatic tools on that.

Q2 outlook for power and specialty tools, we got a line of products for launch. Part of it is going to be geared for the industrial segment of the business both in power tools and torque wrenches and some of them are geared, as you always do, towards the Tools Group and we appreciate their help that it’s a way to sell the power tools through the channel.
So okay we'll go with it. So in summary, you know, good quarter, good quarter. We are encouraged. It is the sales people that made it happen over the period. And we hope that we'll be able to look forward and make it in Q2. So, Tom Ward.

Tom Ward: Okay, here we go. You know, you can stand here - the first thing we're going to talk about in terms of the RS&I performance overall is safety. And we think about safety in a slightly different way than some of the other groups. We kind of have three different categories; one of course is the factories where we have large equipment and lifts and tire changers, etcetera, the opportunity for significant injury. And we've worked hard around cutting and lifting improvements in that area.

The other part is we have a number of development centers where we have people at computer terminals all day long. And there we've spent our time really focusing not only on ergonomic issues and making sure the assessments are done properly and consistently but also as Anup mentioned, in terms of the facilities, we have many cold weather facilities and therefore slip and falls we know can cause really catastrophic injuries to people and so we've focused on that.

And then last we also have hundreds and hundreds of associates that are outside of our facilities. These are the field sales and service organizations. And there we've spent a lot of time on not only driving and defensive driving etcetera but also around situational awareness, making sure they're aware of the trip and fall hazards and the slips that exist in many of the repair shops they visit every day.

And what you've seen here is perhaps the most impressive chart in the presentation I'm going to go through which is we've significantly impacted our safety issue. And if you look at the period over the last 12 - trailing 12 months here on the chart, you'll see significant improvement from 18 recordables to four and from eight lost time accidents to one. So one is too many, we understand that, but we are working on it. We are making improvement and we are vigilant about it.
If we take a look at the financial parts, as I stand here, showing 9% on a chart, there's kind of two ways that you feel having followed these two gentlemen. Thirteen, ten, nine. Now I will tell you this is a very solid performance for the Repair Systems and Information Group.

And if you want to be with a company, you want to be with a company where 9% is an area that could improve so congratulations, again, to Tools and Commercial and Industrial for a fabulous quarter overall.

So we saw good sales growth. It's about 7 - 6.5%, 7% organically if we take the Pro-Cut acquisition, we're lapping those numbers. If we take a look at the improvements in terms of operating income, 60 basis points before the restructuring. And so overall good performance.

If we look at it individually you'll see that our OEM business, which is EQS and SBS, grew about 6%. We see the businesses that focus on independent repair shops both Mitchell and diagnostics with solid growth around 8%. And pretty significant growth in the equipment business and even if you back out the Pro-Cut numbers from that you'll see that, you know, 13% is still a good solid 7% organic growth. But again, good drop through, varying within the businesses based on the mix especially in the OEM business.

Take a look at how they did it. In the OEM business there's a couple of highlights. One interesting thing is Federal Mogul - Federal Mogul is a global parts company that has brands like Champion spark plugs and Wagner brake parts and Moog front end parts.

And they've actually made a commitment to training the industry. And so they're beginning to develop professional training centers where they can bring installers and shop owners in for advanced training. Interestingly enough, to show their professional credibility they want to outfit these training centers with Snap-on products. So we've seen a significant order in the first quarter and we'll see more as they roll those out.
We've also seen - this is sort of one of those good news/bad news stories around heavy duty diagnostics, in this case with John Deere. This is the reason you stay connected to your customer.

I'll confess to you that the global diagnostic business for Deere was lost about a year and a half ago. They chose a different supplier based on capabilities and price that we couldn't quite meet. But we stayed connected with the customer. We tried to learn from our mistakes. And the good news is that the supplier that they had picked was unable to deliver at the cost and the commitments and we earned the business back. This is multi-millions of dollars so congratulations to Tom Kotenko and the heavy duty team.

But again, last but certainly not least we've got the essential diagnostic business for McLaren sports cars. David Stott in the UK is negotiating right now for the ability for us to do some road tests with McLaren as we get out in the parking lot and do donuts.

So on the independent side Mitchell has moved their heavy duty product - this is a product that we introduced about five years ago, six years ago, very unique in the industry. It's been growing at more than 20% a year throughout that period. It's a significant part of their business.

And they've moved the look and feel and search engines to be more consistent with Pro-Demand meaning it's easier to use and it's faster to find the procedures that you're looking for. So good news there on the diagnostic side. Customer connection led them to a new diagnostic work station working with tools. They've ended up with a smaller footprint that's faster to put together for the franchisee and yet gives them more work space and more work surface which is especially important. And it comes included with a Modus and foam cutouts for the adapter so very successful product. We're approaching nearly 1000 of these products to be installed.
And equipment is the one that Aldo mentioned. You know, we've had a significant equipment business in Eastern Europe and especially Russia for many years. And it's a tough place to do business in the capital equipment business. They were able to get past that. They've got a string of innovative products. You can see that the North American dealer show, which is driven by things like Volkswagen dealers where we introduced the new product, up 32% so significant growth there.

We're seeing the Pro-Cut acquisition now as we come up on a year this month, beginning to get fully and firmly contributing to the business and looking at growth outside of the United States. And Challenger Lifts put 16% growth in the first quarter so maybe one of the best acquisitions that I've ever been a part of with Snap-on.

So in summary, look, we had a solid quarter, maybe not spectacular but solid. I think when we take a look at it, we're following the Snap-on Value Creation, safety and quality and customer connection and innovation and rapid continuous improvement.

You've seen a 77% reduction in safety recordables over the past year. You've seen quality improve not only on our products but also in the support of our products and looking at phone trees and why customers call in the first place.

We're making significant customer connection improvements in big customers and we've got the competitive wins to show it and we've got a steady stream of innovative products across the businesses within the group. And of course RCI is what tells us and helps us understand what customers' value and what they don't and do more of the former and less of the latter.

And so again congratulations on the Repair Systems and Information Group associates that are on the phone. And with that I'll turn it over to Nick.
Nick Pinchuk: Yeah, can you hear me? Okay I guess I hear this. The great thing about speaking where I speak is you can say anything, you're not bounded by anything so I'm going to speak about encouraging quarters, the gnomes of Zurich, the Gallup Poll and the Milwaukee Bucks and Snap-on, in some order.

Look, this was an encouraging quarter of course, 9.9% growth is a defiance of gravity against GDPs of 0, 1 and 2 all over the world, sprinkled all over the world. And the idea of 16.7% OI margin, up 120 basis points, again, got some eyeballs popping and $1.87 against 8 cents of currency bad news up 25 cents year over year at 15.4%.

Stock price is up in the $150s and just 2.5 months ago it was $144.93 I think. $144.69 was the strike price of the options at that time. And a whole year ago it was $109.43.

You know, part of this is driven by - so congratulations, it was an encouraging quarter both collectively and individually. One of the things Aldo said and I'm going to tell you this, one of the things is we keep growing, 9.8%, 9.9%, 9.8%, and actually now we've had 21 quarters straight of growth. Wall Street is agog. I don't quite get it myself because before I graduated I had 100 quarters of straight growth myself, you know, so I'm not sure - and then after that if you play football you have a few more quarters of growth, you know, on top of that.

And so it's not so big in my mind. But I guess Wall Street is impressed. And the stock has reacted accordingly. We've had collective activities, you know, you look at C&I, you saw the numbers for C&I, Anup talked about, 9.8% this quarter. It was 9.9% the quarter before that, 8.4% the quarter before that, 10.4% the quarter before that.

That's driving some of that growth. And the OI margin 17.8%, up 120 basis points in the quarter. This is what we always expected of C&I and it's happening now. It's happening collectively in a number of different businesses. SNA Europe, SNA Europe, in Europe. Anybody think that there's
a worse place to be doing business than Europe today? Maybe the middle of Africa, maybe, I suppose. But Europe is very modeled and difficult. Right?

The economies are like this. And yet SNA Europe was up as much as C&I and its profitability was up more, triple - multiple triple digits basis point improvements year over year. Eye popping. And it happened all over, it happened in places - happened by people like Marc Tanguy and Andoni Linazisoro from the merchandising business organization in Europe that launched the Bahco automotive catalogue that helped boost those sales.

Lars Veng. Lars Veng is the sales unit leader, he's the sales unit leader for Finland. His business up 37% in the quarter. My personal favorite of all the names I'm going to talk about today, Maxim Salnikov, he's in Russia. Anybody think Russia is a good market today? Yeah, up 27%.

Now the first thing to say would be, oh, you know, last year was a bunny, it was an easy target. But actually it was up last year at this time. He's been putting these numbers up each quarter. A very, very strong performance by him and something that should be an example for all of us.

Alejandro Quintanilla and Hernan Gazia from South America. Alejandro is in charge of the whole region and Hernan is Argentina and that business in that region up 50%. No wonder SNA Europe has done pretty well in a difficult market this year. We've seen some of these individual performances.

Come to Industrial, Industrial had another good quarter, growing like C&I and had some familiar names show up here. John Werner. John Werner, military business doubled, up 104%. Now I don't think anybody thinks the military is in a great place these days, you know, because you still have things like sequestration and the redeployment of the troops hanging over military business, yet he doubled his business, 104%.
Bob Loffredo in critical industries and his team up 10%. Mike Carr and Jay Wolter in Canada, distribution and Canada business up 17.7%. Now distribution business is - we can compare that pretty easily because we have some competitors there. Grainger, everybody knows Grainger, they're down the road in Lake Forest. They grew in the quarter not 17.7%, they grew at 2%. Good performance in C&I.

Then you go to the Tools Group, the definition of defiance of gravity, 12.9% increase year over year in external sales after - oh I think 11.8% the last quarter. Right? And they've put together - we have different numbers about this but I'll give you my number. They've put together - for 21 of the last 22 quarters the Tools Group has grown 6% or greater.

What people would think would be a bounded business seems not to be so bounded in the hands of the Snap-on team. People like John Gowey who's been with us like - it's hard to believe John Gowey's been with us 15 years. If you know John Gowey I think you would be surprised. He must have joined when he was in high school or something.

But he's the regional director - regional manager in the Mid-Atlantic and he drove his RA sales up in the quarter 11.5% up to $7,395 per week average. And this was the highest one in the - my personal favorite of the contest, the RA trifecta contest. Unfortunately over the weekend in Louisville I didn't see any trifectas come to fruition for me. Trifecta is a bet you might make on something like say the Kentucky Derby, disaster for me.

But anyway, sorry. Right. Shane Rhodes, the regional sales developer in the Southeast, he led his region to 111.7% increase over plan and his plan was not timid. Chris Schrauth and Mike Noll, quality and maintenance for the Algona plant, putting together a tool, fashioning a crimping tool that allowed the trim on our boxes at Algona to look so much better.
Scott Sengpiel from - I guess he's a marketing field - manager of field marketing - he gets an idea, let's swap seats. What he means by that is get our driver for Penske, one of our drivers for Penske, Joey Logano, the guy who won the Daytona 500, and swap seats with Cruz Pedregon, so the cobra jet dragster, Joey Logano, the Nascar driver, gets in and drives down the drag strip and Cruz drives the sprint car around. It got incredible attention all over the country especially on the ESPN channels and gave Snap-on some great publicity.

Robin Pritchard, HR in - Scott's been with us 7 years I guess and Shane Rhodes has been with us 15 years and the other two guys, Mike and Chris have been with us a couple years, two or three years a piece.

And Robin Pritchard another new person, three years with us. She's the HR person at Elizabethton, and she gets the idea we need more training so she partners with a local community college which is known as part of a network called Tennessee College of Applied Technology, TCAT, and she puts together 150 hours training for maintenance people at the plant and rolls in some of our certification process.

So these people go through this hands on training and classroom training and gets certified in Snap-on torque for both electronic and mechanical and multimeter certifications and come out with some real skills. It's a great example of industry and community college partnership.

Dan Voelz, up here, he's been with us like 32 years. And he is the product manager here in Kenosha and he spearheads one of my also favorites is the 95th anniversary box. Five models of gloss black box with red - special red trim and embossed in the panels of the box 1920-2015. Going to sell $9 million to $10 million worth of product.
And Matt Law from Europe who's a marketing manager in Europe and he helps push the margin to get better margins out of Europe and contributes to the UK, the Tools UK which increased its OI margin 210 basis points in the quarter. Collective effort and individual effort coming together.

And then finally RS&I, Tom showed you the numbers, up 9% in sales. Not as good as the others but pretty good. We would still call this defiance of gravity. And profitability of 25.8%, up 130 basis points I think it showed.

So a nice performance by the RS&I group. And, again, you have some individual contributions. New to us, Mario Paschek, the sales manager for the west in Pro-Cut. He's been with Pro-Cut 12 years but of course we just acquired Pro-Cut not so long ago. He's - he made a little bit of an increase year over year, 40%. And he's responsible for 1/3 of the population in the United States yet he was responsible in the first quarter for 50% of the sales for Pro-Cut. Great effort by him.

Kevin Bartley down in Conway, the quality assurance coordinator, he's an RCI guy so he comes up just in the quarter with three advantages, a special way to apply the sealant tape to the surge tanks for tire changers, a rack, a special rack for assembling the targets for aligners and a fixture that allows better alignment of the locking systems for the ATC, the automatic tool control system that we sell so well but in Industrial but is made out of Conway.

People in Europe for - I guess it's Reading - Ian Andrew and Marc Henison who have conspired - they've been with us 1 and 9 years and they helped us re-up with the Toyota loan tool program which we needed really - we need this kind of re-upping in our OEM business. And that kind of effort have helped us over the years in this quarter.

The collective effort and the individual effort, people like us and people like you working every day to deliver us and create the quarter.
Now I told you what I was going to talk about and I'm going to talk about first the gnomes of Zurich. This is an economic phenomena when I was young and it basically said there are gnomes inside Zurich that drive the economies of the world and the currency rates of the world and they are wreaking havoc and mischief around here. Like I said, the GDPs are up and down all over the world like 1s and 2s and 0s and China is getting in trouble and India has some trouble and Japan and Indonesia and Germany and UK, everybody has a lot of turbulence.

And then currency - currencies are like this. You heard the story about the U.S. currency, U.S. currency is going up and that means exports are going down and the result was an 8 cent impact on us in the quarter. In the quarter the currency impacted us by $38.5 million in sales and $6.9 million in profit and it's only going to go up.

But we think we can manage it. And one of the reasons why we can manage it is there's an anecdote to the gnomes of Zurich and that's led to us - that's shown to us by the Gallup Poll. A lot of people don't know this, some do, but I met with the President of Gallup yesterday, Jim Clifton. And Gallup is - they poll on a bunch of things and why they meet with companies like us is they want to help us in terms of analyzing things because they have a lot of algorithms around big populations and trying to figure out what they mean.

But he said, look, they have looked at companies and the companies that succeed and overrun the gnomes of Zurich are these: they are the companies that have purpose and mean so much, mean a lot to a lot of people and their customers. They are the companies that have particular commitment of their people and capability of their people. And they are companies that have opportunity, that are at the right place at the right time. And as he was saying this, I'm telling you, he said this unprompted and he didn't know much about us, I'm thinking he's describing us. He's describing Snap-on.
If you were at the annual meeting the other day you heard me regale people in purpose. But I have another example for you today. If you don't think we mean a lot to a lot of people - and that Snap-on devotees are all over the place, consider Dan Voelz and the 95th anniversary box. That box will cost thousands, thousands, a lot of money. Everyone in this room would consider that box to be an expensive purchase except for maybe Anup Banerjee. But everyone else, everyone else, would consider it a big purchase.

And we're going to sell well over 1000 of them. And what's special about this box? Why are people buying this box? Because they have your anniversary embossed in the box. They don't have anything to do with Snap-on really. They want to make our name their own to the point they want to declare the fact we have been there for 95 years. This is purpose. This is meaning something to a broad group of people. By the way, if nobody had boxes and we were selling this for the first time I can assure you that sales would be many - much more than 1000. So we have purpose.

You know, we have opportunity; we have tremendous, tremendous tailwinds. One of the things that drives us is capital equipment, which we - which has to do with the criticality of our customers, whether in oil and gas or aviation or auto repair, it's aging, it's all aging. And the technology keeps changing it and so there's need for different tools. Even as we sell tools, you know, I say this many times, we make hand tools, we guarantee them for life. How is it we have a business? The reason is is because we keep driving technology.

So we have these tailwinds behind us that help us all the time. And then we know that we can sell so much more to our customers and reach so many more customers. The tools group is proving that we can reach more and sell more even in a confined space of the auto garage in the United States, 12.8%, 12.9% in the quarter.
RS&I is selling to a different customer base right there, the repair shop owner and manager, somebody we didn't pay attention to, we see that opportunity. And critical industries, Bob Loffredo and John Warner, and Mike Carr, rolling the Snap-on brand out of the garage and we even increased in oil and gas last quarter even though it's so bad because there are those opportunities.

And when you look around in this place you also know that there are so many things we can do better. We all know this. It isn't that we say, oh gee, we're terrible, but we know we can do them better. So you see this, we have - we can reach - we can sell more to our existing customers because we're proving it. We can reach more customers and we can improve.

And then finally, if you look around left to right here today and you look at the numbers, you look around here today and you look at the numbers but you look around you can see some of the reason for the numbers. The facts are is we have a committed team. I think most people here feel good about being at Snap-on.

And then more than that we're all capable or getting better at what we do. And you can see the confluence of these things, the opportunity, the tailwinds, the opportunity, the improvement in the growth and the capability and commitment of the people and the purpose among the customers come together and offer the kinds of trends in quarters we're seeing.

I mean, if you forgot the numbers here they are. In 2006 the 16.7% we saw in the first quarter was 6.5%, then it went to 7.6%, then it went to 10.6%, then it went to 12.6%, then it went to 9.9%, then it went to 12.1%, then it went to 13.5%, then 13.9%, then 15.1%, then 15.3% and 16.7%. And that's all because of the confluence of these things.
And now what comes to mind to me is the Milwaukee Bucks. Why does the Milwaukee Bucks come to mind? And it's this, the Milwaukee Bucks made the playoffs this year but did you ever see them on national TV? Never. Never. I never saw them on national TV.

You ever see the Philadelphia 76ers on national TV? Never. You ever see the Minnesota Timberwolves on national TV? Never. And the reason is these teams are laboring in obscurity even though the Milwaukee Bucks improved dramatically year over year, right, they improved dramatically. Dramatically.

But you see - you see the Bulls on TV. You see the Golden State Warriors on TV. You see the Cleveland Cavaliers on TV on national TV. And what's happening to us is people are starting to notice. And we have moved from being somebody who labors in obscurity like the Milwaukee Bucks to being the Cavaliers or the Golden State Warriors or the San Antonio Spurs or somebody like that - that people pay attention to every week, every quarter.

The writing stuff, like in the last quarter, this company has no competition. Jim Kramer says these people know how to do it. It's a stealth technology company. This is a great company. If you read the press in the last quarter, it made you feel good. But the negative about this is we're starting to be like the Bulls and the Warriors and those other teams that have attention and so that ratchets up the risk and the pressure and the need to keep going well.

Now every time I stand up here I say this, but I think it is getting more now. And so I'm not worried about it though because I know that we have people like Maxim Salnikov who grows 27% even in Russia. I know we have people like Shane Rhodes who grows - beats his plan by almost 12% even though his plan is extraordinary.
I know we have people like Kevin Bartley who comes up with three RCI events and helps us save costs all in the midst of a lot of pressure and a lot of headwind. And I know all of you perform like that.

So we're going forward. I tell you what, it's not going to get any easier but we do have a lot more runway, a lot more opportunity. Things are behind us, people like us and the people that sit next to you are capable and committed. All we have to do is just remember where we came from and how we got here and keep doing it again. And I'm counting on all of you to do this.

So thanks for another great quarter. Congratulations on making one of the great trends in - I think around an industry. And just remember that every minute, every day, every week, every quarter you make a difference and that difference has created this success; I'm counting on you to continue it in the future. Thanks very much.

I almost don't know why I ask this but is there any questions? Are there any questions? No questions? All right, thanks a lot.

END