



# Quarterly Financial Review

---

**Third Quarter 2015**

# Cautionary Statement

- These slides should be read in conjunction with comments from a conference call held on October 22, 2015. The financial statement information included herein is unaudited.
- Statements made during the October 22, 2015 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 are detailed in the corresponding press release and Form 8-K and in Snap-on's recent 1934 Act SEC filings, which are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the October 22, 2015 conference call and/or included in this presentation, except as required by law.

## 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 and Chief Executive Officer**



**Aldo Pagliari**

---

**Senior Vice President and Chief Financial Officer**

# Consolidated Results – 3<sup>rd</sup> Quarter

(\$ in millions, except per share data - unaudited)	2015		2014		Change
	\$	%	\$	%	
Net sales	\$ 821.5		\$ 806.3		1.9 %
➤ Organic sales	55.7				7.3 %
➤ Acquisition	2.1				0.3 %
➤ Currency translation	(42.6)				(5.7)%
Gross profit	\$ 406.9	49.5 %	\$ 393.9	48.9 %	
Operating expenses	263.3	32.0 %	263.3	32.7 %	
Operating earnings before financial services	\$ 143.6	17.5 %	\$ 130.6	16.2 %	10.0 %
Financial services revenue	\$ 61.1		\$ 53.6		14.0 %
Financial services operating earnings	43.5		37.7		15.4 %
Operating earnings	\$ 187.1	21.2 %	\$ 168.3	19.6 %	11.2 %
Net earnings	\$ 116.8		\$ 103.7		12.6 %
Diluted EPS	\$ 1.98		\$ 1.76		12.5 %

- Organic sales up 7.3%; excludes \$42.6 million of unfavorable foreign currency translation and \$2.1 million of acquisition-related sales
- Gross margin of 49.5% up 60 basis points (bps) primarily due to benefits from higher sales and savings from Rapid Continuous Improvement (“RCI”) initiatives, partially offset by unfavorable foreign currency effects
- Operating expenses of \$263.3 million in both periods; operating expense margin of 32.0% in 2015 improved 70 bps primarily due to benefits from sales volume leverage, partially offset by higher pension expense
- Operating earnings before financial services of \$143.6 million, including \$11.9 million, or 50 bps, of unfavorable foreign currency effects, increased \$13.0 million and the operating margin improved 130 bps to 17.5%
- Financial services operating earnings of \$43.5 million increased \$5.8 million or 15.4%

# Commercial & Industrial – 3<sup>rd</sup> Quarter

(\$ in millions - unaudited)	2015	2014	Change
Segment sales	\$ 288.5	\$ 298.8	(3.4)%
➤ Organic sales	9.5		3.4 %
➤ Currency translation	(19.8)		(6.8)%
Gross profit	\$ 109.5	\$ 111.8	
% of sales	37.9 %	37.4 %	
Operating expenses	\$ 68.2	\$ 71.0	
% of sales	23.6 %	23.7 %	
Operating earnings	\$ 41.3	\$ 40.8	1.2 %
% of sales	14.3 %	13.7 %	

- Organic sales up \$9.5 million or 3.4%
  - Higher sales in the segment's European-based hand tools business, Asia/Pacific and power tools operations, partially offset by lower sales to the military and to customers in the oil and gas sector
- Gross margin of 37.9% improved 50 bps primarily due to benefits from the higher organic sales, savings from RCI initiatives and lower restructuring costs, partially offset by unfavorable foreign currency effects
- Operating expense margin of 23.6% improved 10 bps
- Operating earnings of \$41.3 million, including \$2.9 million of unfavorable foreign currency effects, increased \$0.5 million and the operating margin of 14.3% improved 60 bps

# Snap-on Tools – 3<sup>rd</sup> Quarter

<i>(\$ in millions - unaudited)</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>
Segment sales	\$ 380.6	\$ 355.0	7.2 %
➤ Organic sales	37.7		11.0 %
➤ Currency translation	(12.1)		(3.8)%
Gross profit	\$ 166.5	\$ 154.8	
% of sales	43.8 %	43.6 %	
Operating expenses	\$ 110.2	\$ 105.3	
% of sales	29.0 %	29.7 %	
Operating earnings	\$ 56.3	\$ 49.5	13.7 %
% of sales	14.8 %	13.9 %	

- Organic sales up \$37.7 million, or 11.0%, reflecting similar sales increases in both the company's U.S. and international franchise operations
- Gross profit of \$166.5 million up \$11.7 million; gross margin of 43.8% increased 20 bps primarily due to benefits from higher sales and savings from RCI initiatives, partially offset by the impact of unfavorable foreign currency effects
- Operating expenses increased \$4.9 million; the operating expense margin of 29.0% improved 70 bps primarily due to sales volume leverage
- Operating earnings of \$56.3 million, including \$6.8 million of unfavorable foreign currency effects, increased \$6.8 million and the operating margin of 14.8% improved 90 bps

# Repair Systems & Information – 3<sup>rd</sup> Quarter

(\$ in millions - unaudited)	2015	2014	Change
Segment sales	\$ 282.9	\$ 271.2	4.3 %
➤ Organic sales	21.3		8.2 %
➤ Acquisition	2.1		0.8 %
➤ Currency translation	(11.7)		(4.7)%
Gross profit	\$ 130.9	\$ 127.3	
% of sales	46.3 %	46.9 %	
Operating expenses	\$ 61.2	\$ 64.0	
% of sales	21.7 %	23.6 %	
Operating earnings	\$ 69.7	\$ 63.3	10.1 %
% of sales	24.6 %	23.3 %	

- Organic sales up \$21.3 million or 8.2%
  - Increased sales to OEM dealerships, higher sales of undercar equipment, and increased sales of diagnostic and repair information products to independent repair shop owners and managers
- Gross profit increased \$3.6 million; gross margin of 46.3% decreased 60 bps primarily due to a shift in sales that included higher volumes of lower gross margin products, partially offset by benefits from lower restructuring costs
- Operating expenses of \$61.2 million decreased \$2.8 million; the operating expense margin of 21.7% improved 190 bps primarily due to sales volume leverage, including benefits from the sales shift noted above
- Operating earnings of \$69.7 million, including \$2.2 million of unfavorable foreign currency effects, increased \$6.4 million and the operating margin of 24.6% improved 130 bps

# Financial Services – 3<sup>rd</sup> Quarter

<i>(\$ in millions - unaudited)</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>
Segment revenue	\$ 61.1	\$ 53.6	14.0 %
Operating earnings	\$ 43.5	\$ 37.7	15.4 %
Originations	\$ 257.6	\$ 221.6	16.2 %

- Originations increased \$36.0 million or 16.2%
- Average yield on finance receivables of 17.9% compared to 17.6% in 2014
- Average yield on contract receivables of 9.5% in both periods

# Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,061.4	\$ 1,334.8	\$ 140.0	\$ 196.9
Portfolio net losses (TTM)	\$ 22.7	\$ 23.8	\$ 1.5	\$ 1.8
60+ Delinquency:				
As of 9/30/15	1.2 %	1.0 %	0.5 %	0.4 %
As of 6/30/15	1.0 %	0.8 %	0.6 %	0.5 %
As of 3/31/15	1.1 %	0.9 %	0.6 %	0.5 %

- Gross finance portfolio of \$1,531.7 million as of October 3, 2015
  - Third quarter 2015 portfolio growth of \$61.5 million
- TTM – Trailing twelve months

# Cash Flows

(\$ in millions - unaudited)	3rd Quarter		First Nine Months	
	2015	2014	2015	2014
<b>Net cash provided by operating activities</b>	<b>\$ 113.7</b>	<b>\$ 88.0</b>	<b>\$ 352.1</b>	<b>\$ 300.7</b>
➤ Net earnings	119.9	106.4	356.1	313.4
➤ Depreciation and amortization	20.5	19.7	61.1	59.0
➤ Changes in deferred income taxes	(9.3)	(0.3)	(6.2)	(3.1)
➤ Changes in working investment	(41.5)	(56.6)	(76.3)	(102.6)
➤ Changes in accruals and other liabilities	18.8	15.1	28.5	50.2
➤ Changes in all other operating activities	5.3	3.7	(11.1)	(16.2)
Net increase in finance receivables	\$ (55.9)	\$ (35.8)	\$ (152.6)	\$ (124.1)
Capital expenditures	\$ (18.5)	\$ (22.3)	\$ (64.3)	\$ (63.3)
Free cash flow	\$ 39.3	\$ 29.9	\$ 135.2	\$ 113.3
<b>Free cash flow from Operations</b>	<b>\$ 78.2</b>	<b>\$ 46.9</b>	<b>\$ 205.6</b>	<b>\$ 175.6</b>
<b>Free cash flow from Financial Services</b>	<b>\$ (38.9)</b>	<b>\$ (17.0)</b>	<b>\$ (70.4)</b>	<b>\$ (62.3)</b>
Acquisitions of businesses	\$ (13.1)	\$ 0.3	\$ (13.1)	\$ (41.3)
Repayment of long-term debt	\$ –	\$ –	\$ –	\$ (100.0)
Increase (decrease) in cash	\$ (5.4)	\$ 8.9	\$ (13.7)	\$ (92.9)

- 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>	<b>October 3, 2015</b>	<b>January 3, 2015</b>
Trade & Other Accounts Receivable - net	\$ 571.2	\$ 550.8
Days Sales Outstanding	61	61
Finance Receivables - net	\$ 1,164.6	\$ 1,052.9
Contract Receivables - net	\$ 347.1	\$ 316.5
Inventory - net	\$ 527.7	\$ 475.5
Inventory turns - TTM	3.4	3.7
Cash	\$ 119.2	\$ 132.9
Total debt	\$ 937.7	\$ 919.3
Net debt	\$ 818.5	\$ 786.4
Net debt to capital ratio	25.7 %	26.3 %

- Total debt as of October 3, 2015 and January 3, 2015, included \$45.2 million and \$37.0 million, respectively, of commercial paper borrowings