Operator: Please standby. Good day everyone and welcome to the Snap-on Incorporated 2015 Fourth Quarter and Full Year Associate Financial Review. If you would like to ask a question at the end of today’s presentation, you can press star 1 on your telephone keypad.

Today’s conference is being recorded and it is now my pleasure to turn the call over to Aldo Pagliari, Chief Financial Officer. Please go ahead, sir.

Aldo Pagliari: Well, good morning, everyone. January 2nd seems so long ago so to all our friends around the world and people here in Kenosha, again time to take a little bit of a deep breath and then time to soldier on.

I think we had notification from the Securities and Exchange Commission that our 10-K for 2015 has been accepted and is being reviewed as we speak so with that, we move forward.

Okay, the quarter, seems so long ago but again just a brief snapshot. Sales in the quarter, what we say organically, which means removing the effects of currency, were up about 3.1% and I’ll come back to that a little bit later but just to mention that. While that is solid relative to peers, particularly in the industrial sector, it’s a little bit below where Snap-on has targeted on a long wave - doesn’t mean every single quarter - to grow 4 to 6%, and what we have been growing up
to this point in time. So we'll get to the stock market price in a second, but the other thing you notice about the chart is that negative 0.7. Again what that means is that's the effects of currency. There was about 400 basis points of currency in the quarter. It would have been so nice to have had an extra $6 million in sales and those brackets would go away and if we had grown closer to the 4% target, you would have seen sales be about $35-$36 million higher. And oh by the way, when you talk about Wall Street, you can see that more or less that's what people had expected. Again, that's what we kind of had been doing so we'll come back to that again.

Look at the earnings, sensational. Again, congratulations to everybody around the world, not just in this room. But certainly the evidence of Snap-on value creation, maximization of profitability, volume leverage, opportunist pricing, sourcing and bringing to the bottom line what we could, we certainly did that and we achieved that in the quarter. You look at the operating earnings as a percent to sales before financial services, I think they're up something like 220 basis points. That's incredible. And you can take some noise out of that and say maybe it's the timing of a little bit of healthcare expense and we had a gain on the sale of the Natick building. Connie Cameron staked her career on that and about seven years later we finally did sell the building. That helped a bit. But even if you take that noise out of it, still you're up 190-200 basis points. This is a sensational number. You won't see that pretty much anywhere else in an industrial setting; so earnings, again, solid.

Looking at the bottom line EPS, EPS is up 12.7%, not shabby, pretty good. And as you saw yesterday, we declared a dividend. The board of directors was pleased with the overall results of Snap-on in the quarter and again they recommended a dividend increase. Meanwhile, some other companies are starved for cash and are actually cutting dividends or holding the scepter of dividend reduction. Snap-on’s still in a solid place to be a consistent performer. Again, looking at the full year now, you can see what I mean, 3.1% growth in the quarter, 7.1% for the year, so when you see the next chart you’ll see there’s a little bit of a deceleration taking place.
That’s not news to a lot of people. The economy doesn’t seem to be as robust as it was but it doesn’t mean it’s negative and again if you look at the performance here, Financial Services for the year up 14.2%, so again their quarter was solid. They took full advantage of what you’re going to hear about from the Tools Group. The Tools Group again had another solid performance. They’ve been solid all year long. That benefits Power Tools, it benefits Asia, it benefits Diagnostics, it benefits Snap-on Credit. Everybody cooperated, collaborated is the magic word in the HR circles, that’s what gets the SBG ratings going.

And again Snap-on as a team performed well and again you look at the bottom line, 13.4% EPS growth. Now this is against 48 cents of negativity from currency. Now this is something one manages. Tom Kassouf’s in front of the board, he’s not here today with us, he’s in transit. I think he’s in the U.K. probably having some kind of - what is it called - bangers and mash, Ian, you know, you’re the expert here, whatever, it is Good Friday - not Friday - it is Friday so I don’t know if they’ll be partaking in that.

But we didn’t talk a lot about currency when it was in our favor, which was a long time ago, but this is something that has to be managed; but nevertheless, when you read the newspapers, you’ll hear a lot about what’s happening with the Euro and the Pound and the Canadian dollar and the Australian dollar. These are the meaningful currencies that impact Snap-on’s results, 48 cents of bad news but still 13.4% of good news.

Okay, cash flow, if you look at a lot of people like to use metrics on how much of their earnings do they convert into positive cash flow and if you look at us we’re pretty working capital intensive so we spend money. So if you look at the first item on there, the $350 million that’s highlighted - thank you Casey for pointing it out for me, we converted about 82% of our earnings into cash, which for Snap-on is darned good because last year it was 72%. So even there, despite the fact we are growing our inventories consciously - you see that on this next chart - inventories can tend
to be on a ratio basis not favorable, on a return on assets basis, we are continuing to expand our return on assets so we continue to look at this. I know at Crystal Lake we have a lot of inventory. We have a lot of inventory in various pockets around the system, however, it’s reflective of demand, it’s reflective of new product introductions. We seem to be getting a return on this and we like that and again Snap-on’s blessed by inventory. It doesn’t tend to spoil so easily. Sometimes you have to update some of the diagnostics and alignment systems but generally speaking our stuff lasts so that’s good.

So again receivables, good performance. Inventory, could be better but we’re getting a return. Balance sheet is strong. Conversion of earnings into cash pretty good. Dividend declared so one more quarter behind us of uninterrupted, unreduced dividends since 1939.

Now back to what I talked about, here you can see it’s evident. You can see the blue lines are bigger than the red lines, that means that the full year was at a higher pace of sales growth than the last quarter. People look at this, people react to this and what does that mean? Okay, I’m not going to duck this chart. It was a little bit more favorable if you go back to the middle of the chart. You can see Snap-on on the top still, the red line. The black line is the S&P 500 which is a general measure of all companies in America of size and including financial services and the blue line tends to be more the industrial peers so to speak, you take out financial services and businesses such as that.

And while you look at this and you say but wait a minute, is there a fall from grace? No, not necessarily. In the middle of the year people were paying more than 21 times Snap-on’s earnings. You can see we started to break away from the pack early in the year ago time sense. People were looking at that very robust growth in what was viewed by some to be more pedestrian types of activities and saying geez, this company’s really - stealth technology - was the word used by some.
But when you look at what happened and I don’t actually know what happened, what trigger occurred on January 1st, if you look at companies like Snap-on, Tesla, Amazon, Google. These are all companies that had been rip-roaring sensational momentum builders and all of a sudden people seemed to be unwilling to pay for momentum.

What they refer to that generally - nobody knows this by the way, where’s counselor out there - everything I say from this point is opinion and not fact, so you can ignore it as people usually do when I talk, but you’re in what we call a risk-off environment which means that whenever there’s a piece of bad news for breakfast - back to words that were used back in 2009 - people run for safety.

What does that mean, what do you run to? Would a 1.62% yield for 10 years on a U.S. Treasury, you might go there? You might go to the Japanese yen which happens to be the currency du jour today, it’s a popular currency to invest in. And you might go even into the Euro which has been appreciating against the U.S. dollar for reasons unknown to us at this point in time. But the point is that you might back off of stocks that have high relative multiples to where they had been in history because you might be a little timid as to what you think about the future.

Now we don’t guarantee at all what’s going to happen next quarter or even maybe within the year, but we’re not timid. We’re in good businesses and you’re going to hear a lot about that. When you hear from Tim who’s going to talk about the impacts of oil and gas in the military and anybody who listened to Nick’s call has heard this already, oil and gas is a good place to be. The addressable market is huge. Does that mean you roll-out 1000 new tools in Q1 of this year? Maybe not, but we’re still going to invest in oil and gas. Snap-on’s going to leave its impression on oil and gas. Military’s been with us friend and foe through good times and bad and they will be back. There’s a lot of saber-rattling in this world. It’s a matter of timing but we have good relationships with the military and their agencies. We will be back. So, it’s interesting to watch. It’s hard to necessarily explain and even after all that noise while we’re back to even so to speak -
the share price was actually $136 on January whatever the first trading day of January was of 2015 - and we’re about $138, $139, something like that today.

Doesn’t mean the year is lost. The company is in a better position. The company is stronger than what it once was but what people’s perceptions are in the world remain to be that, they’re perceptions.

All we can control is what we do each and every day which is to work on our earnings, work on our positions, work on our fortifications, work on our physicals and it’ll get us into a better place so that when the opportunities arise, we pivot I think was the expression used with the board and we seize the opportunities and with that, I will turn over a new star on the stage here, Yvette.

Yvette: Thank you. Thank you all, welcome, everyone. It’s my pleasure to stand before you today and to share the results from the Snap-on Tools Group and I will spend a few minutes talking about the 4th Quarter results first.

So the Tools Group turned-in an impressive 8.7% result year-over-year and I want to point-out the contributions from the International group within these results that turned-in an impressive 12.2% under the leadership of Bazz Young.

And this was profitable growth so if you see the increase in our operating income, our operating income was up 90 basis points or 11.7% and if you recall what Aldo said this is factoring-in the impact of foreign currency, so the negative impact of foreign currency, which is 140 point drag.

We saw similar results for the full year for the Tools Group for 2015, so we had double-digit increase of 10.9% on our external sales, and then if you take a look at our net sales at $1.7 billion, that’s the first time that we’ve reached the $1.7 billion mark so big congratulations to everyone in the Tools Group for a job well done.
And once again we see that this is profitable growth by looking at the OI line. We’re up 11.9% or 60 basis points and what I do want to point out is that the foreign currency drag was a bigger impact on our business in Q4, so as the year progressed that was a bigger challenge for us and we’ll continue to face that headwind in 2016. However, we believe with our results that we’re well-positioned towards our future state of $2.4 billion.

I next want to talk about safety summary and we had some impressive productivity improvements here as well. So we saw a decline in our severity and our incidence rate in our safety summary but at the same time we’re still experiencing preventable accidents, so we have to remain diligent that we provide a safe workplace for all of our associates.

Next is North American delivered sales. I want to remind you on North American delivered sales, these are the sales off of the franchisees’ trucks to the end user. Our business is only successful if we push through the pipeline from production to the end user. I’m pleased to announce that our delivered sales were near $2.2 billion. I want to take a moment and have you understand the magnitude of that. That is nearly a billion dollars more than just six years ago. It takes a cross-functional team to make all of this happen – whether it’s product management, whether it’s manufacturing, whether it’s the distribution system or incredible marketing – it takes all hands on deck to work with our franchisees and to get these products through the franchisee vans to our end users who are then enabled to do their work that allows all of us to get in our cars and to drive safely.

Another thing I want to point-out, the North American delivered sales were up 8.7% this year and that was against a 2014 performance of 9.5% so you have to factor-in that there was an anomaly in 2014. 2014 was a 53-week year and every six to seven years we have that type of sales cycle so if you were to calibrate 2015 versus 2014, the performance for 2015 would compare as 9.3% versus the 9.5% so incredible results.
And these type of results garner us industry recognition so I’m pleased to report Entrepreneur Magazine has recently announced their top 500 franchise list and that Snap-on has moved-up three points so we’ve moved from Number 25 to 22 and we are the leader in our category of mobile tool distributors so the next nearest competitor is at 37. The top franchises in the list this year are Jimmy John’s and Hampton Hotels but again you are given credit in this survey for having a strong brand, a strong business model, one that is financially stable, one that is viable and one that is poised for growth and can change with the times.

I want to shift gears a little bit and talk about some things that are going on at our plants and so we recently had a great place to work event at the Milwaukee plant. We had a family and friends open house and we had over 500 people attend. These are plant associates’ children, their nieces and nephews, perhaps their parents or their grandparents. And it’s important sometimes that our associates are able to share with their loved ones what it is that they do, particularly when it’s with a brand as special as Snap-on, because what it then does is it inspires a sense of pride in the work and their contributions and we garner greater commitment from our associates towards excellence. But there was food, games and fun for everyone and it had been awhile since we had done this at the Milwaukee plant, I think at least 20 years, but we did an event like this at Elizabethan three years ago and we’ll continue to look for opportunities to have these type of events at our manufacturing facilities and our distribution centers.

Another pretty neat initiative, or so I’ve been told by Mike Gentile, that’s going on at the plant is a cold-former update. Cold-formers take coils of steel and turn them into new shaped products that allow us often times to increase our capacity within production or allow us now to produce products that we previously outsourced. So at Milwaukee we currently have two cold formers and had a need for a third. At Elizabethan, it’s a hot-forged plant, and so we’ve now had the opportunity to add cold-forming there. So what we did is we purchased two used pieces of equipment and through our knowledge and capabilities we retrofitted them to work for our needs
and in doing that, there are not only the production improvements, but we were able to cut the lead time in terms of getting these cold formers up and running versus ordering new equipment. And then the cost of these two retrofitted pieces of equipment were less than the cost of one new piece of equipment. So some exciting things that are going on at the plant.

Million-dollar products, so if you’re familiar with the growth platform in the Tools Group, a key component of that is innovation through our products. And we had a goal in 2015 of launching 51 products that would surpass $1 million of sales in their first year in the marketplace and we hit 52, so in 2016 we have a goal of launching 58 new products. One of those new products is the 312CF. This is a cold-forged, heavy-duty plier and our current product that we offered was a good product. However, given the design of the product it left it susceptible to abusive prying so that would negate the full potential of the cutting ability of the plier and so through innovation we were able to improve the product. It has greater leverage. It has more strength and it has less cost through the cold-forging process. And so we are anticipating a success with this product and it is to launch, right now scheduled for March, and we are looking for it to generate 1.4 million in sales in its first full year of sales.

Another initiative that we’ve recently undertaken - this is at our Crystal Lake facility - and I love the way that this project was described to me because they put it in terms that I can understand. So we’re always looking for productivity enhancements and so the way I understand it, this is through the picking process as we complete orders and ship to our franchisees. Currently, the way the process was working, it’s not unlike shopping at the supermarket. You get your shopping cart and you go through every aisle, picking every product that you need, and sometimes that works, but sometimes it’s not the most efficient way to do it. So what we learned is that we were looking for a system that would allow us greater accountability and orderliness and more productivity.
So we pilot a program that’s not unlike a relay which is a pick, pack and pass and so if you think about this and for anybody that ran track, you understand this. This is where if you are running a mile, one individual, it’s a much tougher race than if you had four folks that were running a mile relay and each one picked and passed to the next. So these are the type of enhancements that allow us to gain greater efficiency with current associates at a faster clip.

And lastly, we always have fun sharing with you what’s upcoming from marketing and product placement. So I’m pleased to announce that we had a placement in the recently-released film Ride Along 2 and we’ve got some blockbusters in the pipeline for the balance of the year including X-Men and then we have some ‘80s remakes for those of us that recall those with Ghostbuster and CHiPs.

So that’s our year and our story, but I’d like to leave you with one little side story I’d like to share. And for those of you that know me, you all know that I have a 10-year-old daughter who’s heavy into activity and last Friday it was my turn to drive carpool, so as I’m driving my daughter and her friends to their next activity, I’m driving down a busy street and there are all these automobile dealerships. And all of a sudden my daughter’s yelling boo, hiss, boo MAC Tools and her friends are like “what’s going on?” She said, well my mommy works at Snap-on and those are the people that are against her and her friend said was your mom winning? My daughter said heck, yeah, we’re Snap-on! So for all of you that facilitate this process and allow my daughter to boast in front of her friends that heck yeah, we’re winning, we’re Snap-on, I thank you. I’m going to throw it over to Tim.

Tim: Okay, just a quick editorial. I’m going to present the combined consolidated Commercial and Industrial segments, so on behalf of myself and my peers, Jesus Arregui, our President of SNA Europe and James Ng, President of APD.
All right, let’s start with safety. So we look at this chart often. I think when you look at this chart, on first blush you’d say pretty flat, but if you look a little harder, there was an increase in the first part of 2015. I can tell you specifically that was caused by some incidents we had out at City of Industry. Management has intervened. We’ve seen some improvements in our safety incident at that plant and then if you look a little closer at the end of the year, you can see an uptick in safety, not just safety incident but also severity rates. These situations are because of some of our incidents over at SNA Europe, across the network actually, and maybe specifically Vila do Conde. I know Jesus and his team are aware of the situation, they’re intervening and we expect that we’ll see improvements there. I think it is important to say that we look at these charts and these metrics often and there is cause for intervention to keep us on course. It is something we have to work at every day.

All right, so the consolidated C&I segment, for the quarter you can see we were $299 million. That was essentially flat to last year; then as you move through the P&L here you can get to the OI after restructuring of $48.9 million, down about 8/10 of a percent. This is really a function of the different profitabilities and the mix of revenues across this segment which have quite a bit of variation.

So we’ll dig a little further here. We can see each of the businesses outlined. You can see the same $299 million of revenue and the $48.9 million of operating income but one of the things to note here is Industrial, right, so Industrial was down 9% in the quarter or just over $10 million. We were down significantly in our Industrial business and that translated down to an operating income miss of 16% which is a little over $4-1/2 million. So pretty significant impact. Industrial is one of our most profitable businesses in this segment so when we miss revenue it has a significant impact on the overall segment. When you get to SNA Europe, they had some growth, 4% growth and they got some good leverage on that growth, 24% improvement on operating income. And then for Asia/Pacific, they were essentially flat in revenue. They were down about 10% in operating income and then Specialty and Power Tools had a strong quarter. They were up
about 11%. If you pulled those apart, Power Tools was up about 10%, Specialty Tools was up about 15%, and we got some really nice drop-through on that revenue growth. You can see almost 40% improvement on operating income.

Let’s put a little color around this. Industrial, down 9%, $10 million in the quarter. Military alone was down $10 million in the quarter, so down about 37%. Some of those are macro-related, so we think about the war a few years ago and as the military has reduced the head count, that’s a macro that we’ve been dealing with over the last few years as that head count comes down, but there is also a period issue. If you go back to last fall, the U.S. government was struggling to get their budget approved and it became apparent in mid-summer that it was not going to happen in an orderly period. If you’re not aware, the government’s fiscal period starts in October. We did not have a U.S.-approved budget until late December. So we went almost a full quarter without a U.S.-approved budget which put a lot of restrictions on spending in the government and definitely impacted the military business. So you know, we’re past that period. We do have a budget now and we’re anticipating that those flows of funds will start to accelerate here for us. I think we’re starting to see some sign of that, so we expect military to start to improve here for us.

Oil and gas - Aldo mentioned this - it was down another $3-1/2 million so on top of the 10 in military we were down $3-1/2 million in oil and gas. Oil and gas was down about 41% so a big, big drop and I know as consumers when we drive down the street and see a gallon of petrol for about $1.50 we cheer about that, but you have to imagine the effect that that’s having on the industry and those that extract oil for a business.

Okay, so then, you know, if you think about Industrial minus military and oil and gas, they were actually up. They were up about 3%, so we did see growth across the rest of Industrial if you removed these two that are having some segment issues.
One of those areas that was doing well for us was aviation. Aviation was up 35% in the quarter domestically; globally I think it was up about 13%. Some of the key projects that we have going on with Boeing and companies like L3 really benefited and I would say the thing that pulls this all together for the Industrial team is our Automated Tool Control or ATC. And while not everything we’re selling into aviation has ATC associated with it, it really gives us a thrust in a differentiated point to go to market with.

Then for the 1st Quarter in 2015 education was up. Okay, so we’ve been struggling with some macros there as well. The Obama administration a few years back put a lot of restrictions in on student loans, specifically student loans for private education. The downside for Snap-on is we were very strong on education in the private sector, so we’ve seen a dramatic reduction if you look at just two years ago to today. Enrollment in those private schools - the top three schools that teach automotive technicians - that enrollment’s down over 50% putting a lot of pressure on this part of the business, so where we got the growth this quarter was selling to schools.

So a lot of what we do in education is not only sell to the students, we also equip the schools and our certification program is really starting to take hold. If you’re not aware around certification, this is where we actually put all of the tools that a school would need to teach their students. So it may be around torque, it may be around diagnostics, it may be around just measuring systems, but we package these up, we give the curriculum to the school and it really makes it easy for the school to buy-in to Snap-on and help them educate their students with state-of-the-art solutions. So that was up about 21% for us in the quarter and really overwhelmed the student piece which was still actually down in the quarter for us. So we think we’ve found the recipe going forward here at least for the near term for education and we expect good things to continue to happen for us there as well.

We did get out some new products. The one that I will note is our CTECH ISO interchangeable heads. If you’re aware of our electronic torque wrenches, they mostly have a ratcheting pad on
the end of it. And that ratcheting pad makes it somewhat difficult to get to some tight spaces, as you might imagine, so by putting an interchangeable head where you can put an open box-end wrench on there, it gives us the right accessibility and allows us to reach more places with our electronic torque products.

Okay, SNA Europe, okay, SNA Europe was up about 4% in the quarter. This is the ninth consecutive quarter that they've seen revenue growth so as the macros in Europe improve, the economies have improved across Europe, SNA Europe has participated in that.

And you can see in Turkey, our revenue was up about 32%. They’re getting a lot of traction with their Bahco Ergo Tool Management System. This is where they take a trolley or a small toolbox and they allow the end user to customize where those tools are with some cool software and then with foam get a very, very nice solution so they’ve made a lot of progress with that.

Another place they’re making progress is Argentina. Argentina’s very important to them. Sales are up 63%. A lot of their growth from 2015 came from Argentina and there was a good piece of news happened in the 4th Quarter for SNA Europe in Argentina. There was some legislation passed that will make it more difficult to import tools into Argentina and because we’re the only domestic producer of tools in Argentina, we think that positions us well for the future; but doing business in Latin America always comes with its challenges. Currency is a constant challenge across Latin America and there were some headwinds related to currency in the quarter that the team was successful in overcoming.

And then just lastly I’ll mention that SNA Europe has launched a new line of cordless tools and they have launched those just in France as their launch market in a very short period of time, rolled-up over a half million dollars of sales of those cordless tools, so they’re pretty excited about that product category.
Okay, Asia-Pacific. Asia-Pacific sales were essentially flat. There's a lot of unevenness, I would say, market-to-market in Asia and some of our big markets like China, Malaysia and Korea are actually trending down so they're putting a lot of pressure on the business.

We saw some improvement in India. It’s coming back, it’s been down but it’s coming back for us and India is a big market for our Asia-Pacific division, and then Japan continues to be very positive in their performance so they are the engine for Asia right now.

In the quarter we did open four new Blue-Point stores in China. I was actually had the pleasure of attending one of these store openings. It happened during the board meeting in November but it’s really a fantastic experience. It’s probably about a 50,000-square-foot facility. You walk into this facility and everything is Blue-Point branded, okay, so this is the only place in the world in Snap-on that you will see this much Blue-Point. They had four bays setup so all of the lifts are in Blue-Point, the aligners are in Blue-Point, the changer/balancers, the test lane, everything in the equipment side of the business is Blue-Point branded.

And then on the opposite side you will see all the tool storage, all the hand tool category assortment, the power tools, completely built-out in Blue-Point and then there’s some training facilities in these sites as well where they can bring end users and some of their resellers in to experience the Blue-Point tools and learn the value add on these tools.

So they opened four of these. They’re now up to 14 stores across China. They also continued some initiatives by driving-out demo vans so they pushed-out 17 demo vans in the quarter. There are now 20 of them across Asia and this is allowing them to take the Blue-Point story to our customers and work with them at their point of use. So some good things around getting more customer-connected, more integrated into the automotive space for Asia.
And then lastly I’ll say that they did launch a bandsaw training academy in the quarter. This was at the Kunshan facility. This is where they bring-in end users and some of our resellers to learn about the advantages of our Bahco bandsaws and then help create even some of our future product development initiatives around bandsaws.

And then lastly I’ll close with Power Tools and Specialty Tools. I mentioned Power Tools was up 10, Specialty Tools up 15 in the quarter. We continue to have a lot of success on the Snap-on Tools side, so the automotive side of those businesses. In the quarter we saw that our sales in kick-offs were up 37%. A lot of that product was shipped to the DCs in the 4th Quarter so it was really powering our 4th Quarter results because it’s anticipated in terms of what we’re going to sell and the packages that we’re going to sell and Dave Manka and his team put that all together working with SOT.

The MG725, it is now about I think it’s an eight-year-old product but it’s still the workhorse of our pneumatic line and we pumped out $5 million of MG725 in the quarter, so that was an impressive result.

And then the Ionbond ATECH electronic wrenches, this was an SFC promotion on the U.S. side so, you know, kind of a second half of the year but the international subs picked it up and we pushed-out a million dollars of Ionbond ATECH in the quarter and that went to Australia, U.K. and Japan.

Aviation is strong for us. You know, there’s a business ATI that we don’t talk about much but this is a business that’s focused exclusively on aerospace, that’s really for repairing the skins of those vehicles, but that business was up nicely for us in the quarter. It is critical to us that we get this business growing in a much more robust way. It’s part of our aviation story and it’s part of how we’re going to win in aviation longer term. I mentioned CTECH earlier, but CTECH is important
for the aviation space. Our sales are increasing, largely powered by some of the successes we have at Boeing, but we're starting to see it expand from Boeing as well now.

And then Torque private brands. While we have our Snap-on branded torque products come out of City of Industry, we also have CDI-branded products come-out of City of Industry. We also private-brand for several other companies and that business was up 28% for us in the quarter, which gave us about a half-million dollars of benefit in the quarter, so that was a nice win; and then universally, for these businesses, we've been driving really hard on our material costs, working with our suppliers, looking at better ways to source product and we generated over a million dollars of savings in the quarter and for Power Tools, I think most of this was the benefit of power tools, I think that was about half of the operating income improvement we saw was from better strategic sourcing initiatives.

So just in closing I would say, you know, from Jesus and from James, for all the C&I associates around the world, we want to thank you for your efforts in Q4. It was a tough quarter for some of our businesses. Other of our businesses continue to expand. We did make progress. We're moving down our strategic runways for growth. We are better positioned for the future and I will remind all of us, this is already the middle of the 1st quarter and we have much more to do, so thank you.

Tom Ward: Thank you, Tim. Okay, let's see if I can get this wrapped-up quickly and turn it over to the star of the show in a minute and I will tell you that in the last 24 hours I've had the opportunity to take a victory lap for the Repair Systems and Information Group associates so I appreciate that, in front of the board yesterday and in front of all of you today, so we'll start with safety as we always do. And it's a pretty good story. We've seen continuing vigilance. We're focused on everything from lock-out/tag-out in the factories and cuts and lifting injuries, just to making sure that the sidewalks are clear in areas that we have winter weather; so we've seen good improvement over
the course of the year, but we’ve also seen ourselves see great improvement and then lose it, so we’re staying very vigilant here.

We take a look at the numbers overall for the group, they were okay. It was a pretty good quarter but we decelerated as we got later in the year because of some issues that we’ll talk about within the individual businesses, but overall you can see it’s a 5% growth, about 4-1/2% organically but we’re taking full advantage of tough sales environment and across all of our businesses and we’re able to deliver profits. You can see a 320 basis point improvement in the overall operating income as a percentage of sales and so we’re able to deliver significant profit growth if not able to deliver the number of sales opportunities that we’d like to have. We’re taking advantage of what we do have.

If we take a look at the individual divisions, again in the quarter they all grew. We were led by almost a 15% growth in the Diagnostics business, which is really driven by innovative new products as usual. You’ve heard that through the first two presentations and that’s really that’s customer connection, driving the innovation. The VERUS Edge has been a very successful product and that growth continued. We also introduced some additional products around the world as well. The other businesses - both equipment and the OEM businesses - had a tougher go of it because of some of their headwinds within the businesses, but again you can see that we’re able to take advantage of whatever sale we can and we’re watching our cost and we’re applying RCI and we’re improving the profitability overall.

Just a quick summary for the year, 7% growth, about 6% organically and again a new benchmark in terms of the profitability of the group both in dollars and as a percentage of sales, so again we’re improving, we’re taking advantage of the sales opportunities that we have and we’re delivering that.
If we look at the individual divisions, you can start with the OEM business and the OEM business is really comprised of two different businesses, the Equipment Solutions business which supports the OEMs as they deploy new technologies and to make sure that their dealerships are capable of solving those technical problems, to make sure they have the right tools and diagnostics to do that, as well as dealership infrastructure. Dealers have been on an incredible roll really in North America especially over the last few years and they’d expanded and built new facilities and EQS has taken advantage of that. On the other side of the OEM business, our Business Solutions business - the electronic parts catalog - great business, very profitable but it’s been tough to grow. And you can see there’s a couple of initiatives here around Isuzu and Hitachi where we’ve taken some opportunity and we’re now developing products for them that will generate growth for us in ‘16 and into ‘17 so we feel good about the people and the plans at SBS to make sure that we’re growing.

In the business that focused on independents - both the Diagnostics and the Information business - you know, the Mitchell business is a special business in a lot of ways but the ability to grow year after year as they’ve done over the past few years to grow near double digits, 9.3% this year – this is a subscription-based business – so the way revenue recognition works, a customer that you get in January, it is 12 times as profitable as one you get later in the year, right, and so to be able to grow that just reflects how good they’ve been at connecting with customers and driving innovative new product both in the information, SureTrack you’ve heard a lot about, as well as in their shop management program with Total Manager and some of those things.

The Diagnostic business we talked about, the VERUS Edge, SOLUS Edge with SureTrack was introduced in the U.K. this year and again or this quarter I should say and again very good growth overall and then the, you know, the business I think that both of these are very well customer-connected and on a regular basis are seeing recognition from their customers which of course is the part that really matters.
The Equipment business which serves both the independent as well as the OEM segment, it's a business that's had great stories in the U.S. with good solid growth and Western Europe with good solid growth, and it has its own share of issues, especially in Eastern Europe and in Russia, but take a look at the numbers in France. Twenty-five percent increase in the quarter, a tremendous show that I happened to have the ability to attend this year for a change and it was a great event, new products, excitement in the French team and here’s another number that’s pretty impressive, the Challenger team, the Challenger lift business that we acquired a couple of years ago. Take a look at the growth, the 16% growth on top of a similar number last year. We’re in the process of building them a new production facility. I was just down there last week and we’re excited to expand their ability to produce more lifts because they’re clearly selling a bunch of them.

And in summary, you know, we always get back to in summary if we could get the slide to move, having a little time issue in terms of keeping up with the slides here. So it’s all about Snap-on Value Creation. It’s everything that you’ve heard so far today and it’s really what’s led us to the improvements. Safety and quality, we measure and we monitor and we’re vigilant about both of those things. Customer connection, driving innovative new products, seeing growth and awards from customers and RCI, the ability to improve profits disproportionately to the sales growth that we’ve been able to do and so with that I’ll turn it over to Nick.

Nick: Okay, is this on, okay. The Chinese have a saying, may you live in interesting times. We live in interesting times. I’m going to talk about who we are, you know, we’re the company that makes the most valued productivity solutions in the world. And we have people like Eddie Pitts in the Tools Group and C.J. Harris who, you know, in the waning time of the fourth quarter, down around the Tampa area, worked with a franchisee in an all-or-nothing $120,000 sale, drive 1700 miles to get the proper product including heavy-duty workstations and VERUS Edges, and sell $120,000 in the waning period of Q4 and we needed it badly.
But it was done because these are the most valued productivity solutions in the world and the customer valued it and he wanted it and we gave it to him.

I want to talk about what we do and what we do is we observe work and bring that work back to our designers and translate it into tools and therefore make that work easier for professionals who are performing critical tasks. It's the principal value-creating mechanism of our company and people like Anil Ghode in the Power Tools business, working on the CDR 8815, brings it to market 33% faster. It's got a heavy-duty gearbox and a grip that makes the tool grip more and allows the one-hand change of the bit and has a battery system that allows it to last longer for any other tool we've had, 30% longer.

And then I'm going to talk, I think I'd like to talk about where we're going and these are interesting times, you know. You can see the markets and the military and oil and gas give us difficulty and everyone can see the stock price who comes in the door. But we have confidence in our future and we're going to keep investing in our runways for growth and runways for improvement, people like Helen Taylor over in the U.K. who spends time developing – return on investment - a computerized return on investment tool for customers in an integrative and interactive application device for customers and a video demonstration for equipment, even in a time when we're not selling that much equipment.

And then I'd like you to think about why we do this. We do it because we want to keep our families warm and safe and dry. We want to see more new cars in the parking lot. We want to attend more baseball games and football games. We want to see our kids go to college. We want to have better lives but we also want to allow people to feel good about Snap-on. You know, you get to see that. Heidi Strauss from Newport in Virginia - Willow Creek in Virginia - sends us a note and she says, you know, my husband worked as a mechanic. He was a master mechanic and he retired and he demanded that we bring home his three large boxes of gleaming Snap-on
tools because they said they had meant so much to him, been such a big part of his life for 50 years and now they are in our house and our children and grandchildren look at them with pride.

This is one of the reasons why we do it. I have to, you know, Aldo started - it just hit me - Aldo started out, did you hear Aldo start out, did you hear the music? It’s like a dentist office music, right, did you listen to that music? I was at the dentist office the other day and it’s interesting how the dentist - you might not believe this - but I say this, dentists live in a little different world. I’m in a dentist’s office and the woman I come out and she says Nick you have to come back in six months. We want to schedule the appointment. And I said, you know, I don’t know. It’ll be in May. I don’t know if I actually have any time in May. She looks at me and says you don’t have any time in May? I says yes, I think my schedule’s pretty well filled every day. You don’t have any time in May? I said no. She says oh Nick, you’ve got to take some time for yourself, as if I wanted to go to the dentist as time for myself. If you think about that, her view of time for yourself was to go to the dentist. It never dawned on her that I might be telling her something that might not be true just because I didn’t want to go to the dentist, you know? Actually I was filled; it’s kind of a true situation.

Look, you know, if you look at what’s happened, you know, the collective and individual activity, the quarter and the year were quite encouraging. The quarter grew at 3.1% organically and operating income margin for Snap-on was 19.1%. Now pause on that number for a minute and you will know, you will recognize that we have not seen such numbers. It was up 220 basis points and it was an eye-popper to many who saw it.

For the year we were up 7.1% organically and the OI margin was 17.7% up 140 basis points and that’s after last year being up 120 basis points and up 120 basis points the year before that and these are strong numbers and you might say why doesn’t the stock market reflect it? Well, there are a lot of reasons that I could explain to you and we could speculate about. Nobody knows for sure. But I’ll tell you this, even today, even today if you look at the one-year performance of
Snap-on, we're not that happy about it, you know, it's the market though, we're down 1.7%. The Dow Jones is down 11%, almost eight times as much, seven or eight times as much. Some of our peers are down 5%. If you look at the two-year number, we're up 35% and the Dow is up 1, so I think we have to look at this in perspective. I'm not excusing it, you know, we don't like to see the numbers come down and I'll say a little bit about why we thought we might have been hit worse than we thought we were before a little later. But we're still doing okay in this kind of situation and that's because of 3.1% organic growth for the quarter, 19.1% OI margin, 7.1% for the year and 17.7% OI margin for the year, up 140 basis points defying gravity. Congratulations for that.

Now if you look at the Tools Group, Tools Group’s been doing okay. Tools group I think Yvette’s daughter was right. Snap-on is winning, particularly in the Tools Group. They’re up 8.7% in the quarter organically. Pretty good number and I believe their 23.8% OI margin was up 90 basis points and for the year they’re up 10.9% organically for the year and this is an eye-popping number and the 24% they achieved was up 60 basis points.

And you saw this is collectively, this is how it worked and it was people like Eddie Pitts and C.J. Harris and Bob Nelson from the Northeast, who is the region of the year, who is up over plan 108%, a strong performance by him in that situation. A strong performance.

Jason Frey out here who works in Product Management who helped get together the precision pliers, from SNA Europe by the way, and put it in the launch pack for the kick-off this year. Helped quite a bit.

Ed Burhop, Strategic Sourcing, who saved last year $4.7 million – Director of Strategic Sourcing out here – saved $4.7 million doing things like material changes and efficiencies, just all across, across the four plants associated with the Snap-on Tools Group.
Mr. Olinger, in Algona, who is our RCI guy there. Hasn’t been with us that long, but improved the tool storage lead time from five weeks to two weeks and improved the complete and on-time with RCI efforts by 20%.

Troy Tveitnes, who’s been with us more than 30 years. Yvette talked about the cold formers. We bought some cold formers. I believe we bought them from GM, we bought a few of them and the idea is to expand our capacity in terms of making sockets and we put some in Milwaukee. We also put some in Elizabethan, but we had to refurbish them, tear them down. They were 35 years old by the way. We got them cheap. It was a good buy and we tore them down, but Troy Tveitnes oversaw this and in the building he worked in Canada, there wasn’t much heat and some days it was minus 15. In fact there was no heat and he worked through that and we got it done and we put it in the facilities.

Steve Appleby in the U.K., asset manager – in the U.K. there’s something like the financial conduct authority who we have to comply with all the time – working there he put in place processes that allowed us to comply with this and allowed the U.K. to go on to a 28% increase, Tools U.K. to go on to a 28% increase year-over-year for three years. Over the three - not each year - but over the three years.

Individual efforts that made a significant difference, made a significant difference. David Green, down in Elkmont, materials manager and he figures-out that he can replace some of the steel in the medium sockets and the hammer family from I think it’s 4044 to 50B44 - 4040 to 50B44 - and changes that and saves us a half million dollars.

And I can’t finish the Tools Group without talking about the Credit company and the Credit company grew its revenue at 11.8% last year and its OI went up by 14.2% and a big reason was RCI – Hope Ronske. If you’ve ever seen Hope, she’s kind of a mighty mite and she’s running around the Tools Group but she helped - running around the Credit company - but she helped
support that. She’s been doing that for several years and this year was particularly important to it. So the Tools Group had a great year.

RS&I, victory lap yesterday for Mr. Tom Ward with the RS&I Group, grew at 5.3% and its extraordinary, extraordinary OI% numbers year-over-year. Incredibly high. I don’t even want to mention them because, I decided I wasn’t going to mention these because I think it sets the bar, you know, although feel free to increase it next year if you wish. It’ll be okay, yes, right, we already have. That’s true, 26.9 for the year, up 110 basis points, 26.9%. Big.

We have people in that business like Ryan Bruning. Alignment sales weren’t that great last year actually but Ryan Bruning, an equipment sales specialist down at Conway, sold 47 for the year and 17 just in the fourth quarter for $680,000. Dave Hall, the national sales manager for Diagnostics, 3000 software titles above plan in the last week helping us come home and have some extraordinary impact on our business.

Tremendous performance by that group and I already mentioned Helen Taylor in the U.K. developing all those computerized tools to help the aligner business move forward. Keith Pople who at EQS in Detroit allowed us to develop a survey for the Fiat Chrysler business that set the standard for what tools those dealerships had to have, what special tools that dealerships had to have and guess what? We found a lot of them didn’t have the tools that we were selling and that to be compliant with FCA requirements, they should sell more and they did, $1.6 million worth. So a number of individual contributions there across RS&I for extraordinary performance, growing at 7% for the year and over 100 basis points improvement.

Then we’ll talk about C&I. C&I, flat in the quarter. Some difficulties. A lot concentrated in military and industrial. If you took military industrial out of C&I, they grew at 5%. So you can understand the depth of that problem, and so we had some great performances there. Maryke Viola and Debbie Duberstein out in the back in the custom tools business. Industrial had a difficult quarter
but still there was some great performances. These ladies quoting and processing and making sure custom tools got delivered. Rearranged their holiday schedule so we could maximize and optimize, up 39%. Tom Dean, Tom Dean. Tom Dean’s a machinist, a machinist down in Murphy, North Carolina. By the way, he’s trained in the Murphy machinist business. He worked for a full month seven days a week. That means he worked full shifts for seven days a week for the entire month. You can do the math but it looks like, you know, you would say 28 straight days without a break, machining parts important for the CTR 761 cordless ratchet which generated $5 million of sales for the Power Tools business in that quarter. The Power Tools business by the way was up tremendously, up 14% in sales year-over-year and up 160 basis points in profit. Very good.

SNA Europe. SNA Europe was up 4.8% in the quarter. Its earnings were up another 110 basis points. It was up 7.6% for the year, up 210 basis points and it had improvement all over and I don’t know if you’ve been reading the paper but Europe isn’t such a good market. And it had help.

It had help from people like Vincent Tan in Southeast Asia who held the hand of one of our, probably our biggest individual customer, a guy named Gee in Indonesia and got the orders rolling again.

Had specific help from people like the national sales manager in Argentina, Hernan Gazia. His business was only up 60% year-over-year and that was helped by currency but still his business was up nice and I already mentioned Anil Ghode in the Power Tools business trying to push things forward. And so there was a number, even though C&I was in difficult situation, there was a number of strong performances.

And I wouldn’t want to leave this stage without circling back. I didn’t forget these people. I wanted to leave them for last. We didn’t actually get any names about this particular group but I have to mention Mitchell 1. Dave Ellingen, Anne Sabala was here for the annual meeting picture and rightfully she should have been because their OI margin - they were up almost double digits in the
quarter – and their OI margin was 55.3%, up several hundred basis points, 55.3% so you see that, you know, the quarter was relatively encouraging. Now let’s talk about it.

You know, I talked about who we are. We all see them all over the place and we do continue to make the most valued productivity solutions in the world. People like Eddie Pitts and C.J. Harris who drove the 1700 miles round trip to get this special order for somebody who had to have it before Christmas and it was a one-time order. This is special.

We make the most valued productivity solutions in the world. We do observe work and make it easier. You can see it written across the new products that we have all the time. This year we had 97 new products that sold over $1 million. In 2006 we only had 13 of those. We’re getting better at that.

Where we’re going, I hope that you can see that we can keep investing in these businesses, in these runways for growth. As Aldo said, we’re going to keep investing and enhancing the van channel and making the franchisees richer because we know their success is our success. We’ve been doing it for a long time and it is working. The Tools Group has been up 6% or greater 22 of the last 23 quarters and they’re up 10.9% all of last year. We’re going to keep extending to critical industries because actually what dominated the critical industry story this year was downturns in two particular industries, military and oil and gas.

We’re going to keep expanding with repair shop owners and managers simply because we know it’s a great business and Tom Ward likes taking victory laps in front of the Board and we’re going to keep him going there, and we’re going to build in emerging markets because they bought 24 million cars last year in China and that is a big market. We’re going to take advantage of it.

And what can all of us do about this? I just want to come back to one thing. We had feedback when we had the analyst call and, you know, if you followed the analyst call, you know we
announced this quarter that it was encouraging. All of you turned-in a great encouraging quarter but it was 3.1% growth, a little bit less than people thought. Profits were higher and we had feedback that said, you know, if you had been up a percent and a half more, that would have meant a percent and a half, 1.7%, that would have been 5% and your as-reported growth would have been positive and that would have made some difference.

That percent and a half more is worth seven minutes a day. So if you ever doubt that what you do isn’t important, I’m here to tell you that direct feedback tells me that seven minutes were important. If you work in HR or you work in sourcing or you work in any other place and you think you don’t have a direct impact, consider Ed Burhop and the people who contributed to us in sourcing, or in HR or other things like payroll and so on. I can tell you that it makes a difference. I, this quarter, or I think it was this quarter, talked to a salesman who came to me and was all upset about a glitch that happened, and I have to say it, in HR. Now it’s not because the glitch was there in HR, but the point is him not being upset, things working smoothly as they do 99.9% of the time, makes all the difference because the people who are actually selling and designing and so on can concentrate. So everything everybody does in this building is important. Don’t doubt it. And so where we’re going is we’re going to keep investing in those trends, those runways for growth and I’m counting on all of you to make every minute count as it has in the past.

Now, I want to share a couple of stories about why we do it. You know, why we do it of course is to make our own situation better and we also do it, I think, to be part of something that’s bigger than ourselves and because so many people count on us. On November 8th we had Cody Allred send us a note. He said it’s a family tradition to buy Snap-on tools. I am proud of it. We had Brad Johnson out of Brookhaven, Mississippi send us a note on November 2nd - Cody was on November 8th - on November 2nd it was Brad Johnson and he said, I was in the Army and now I have Snap-on tools all around me. I am a Snap-on customer for life. We have Nate Borunda from Fresno, California say I trust Snap-on tools more than any other. I talked about Heidi Strauss from Virginia who said that her husband brought home this triple-wide box and everybody
looked at it because it was such a part of his life, but actually she wrote the letter for a small toolbox because she wanted to give it to her five-year-old grandson who wanted to work with his opa on cars. We sent her the small toolbox. And then we got a letter from John Buckley, January 2nd. I have to share this one. John Buckley says, I used many Snap-on tools. I work with my brother on these tools. I love that these tools are customized and I tell all my fifth-grade classmates about it. Truly.

Now, this is why we do it. We do it for ourselves and we do it for these people, but the fourth quarter, though encouraging, though extraordinary should teach us that it’s very, very sensitive and every minute counts. Every minutes counts because it did when we made the announcement. Just that little bit of difference made a difference. That’s why I ask you every day to think and remember that what you do is important. It’s important for yourselves, for your family, but for a group of people like Heidi Strauss and her grandchild and John Buckley the fifth-grader, every minute counts.

You’ve been doing great so far. I’m counting on you to continue doing it. It’s my privilege and good fortune to be part of Snap-on and to work with all of you. Thanks so much. I forgot to ask, does anybody have any questions? Nobody ever has any questions. All right, thanks very much.

Aldo Pagliari: Okay.

Operator: And that concludes today’s presentation. Thank you for your participation.

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