Operator: Good day and welcome to the Snap-on Incorporated 2016 First Quarter Associate Finance Review. Today’s conference is being recorded and at this time I’d like to turn the conference over to Aldo Pagilari, Chief Financial Officer. Please go ahead.

Aldo Pagilari: Okay, good morning, good afternoon and good evening to all Snap-on associates around the room. We’ll revisit briefly, you know, our Q1 highlights and I’m sure the operating groups will give you a little feel and more detail from what we had heard yesterday at the shareholders meeting or what you’re able to read in our public press releases.

Q1, pretty good quarter, pretty good quarter. Matter of fact, a little bit similar to what we saw at the end of Q4. If you look at the growth statistics at the top line, you read the newspaper, you’d be up 8/10 of 1%. That’s what we call as reported before you have the effects of currency. And what’s good about that number, it’s much better than Q4 which was negative 7/10 of 1%. So, while we’re getting close to zero, big difference between a positive and a minus psychologically, but also a little bit of a step in the right direction.

On the other hand the organic growth at 2-1/2%, which compares to 3.1, which is what we did in Q4, decelerated a touch. And it was a bit less, a matter of fact, about $25 million less than what
other people expected of us if you read general press releases and comments. But, also was $25 million less than what we expected.

So if you look at that, we had anticipated some currency effects and on the top line the currency was about where we thought it would be. Currency impacted us a little bit more in profitability, and I'll talk about that in a second. But if you look at sales you're going to hear a little bit more as to what happened in the quarter.

Basically, we did very well in our business divisions that served the automotive repair segment. So when you look at the Tools Group number and the bulk of RS&I you're going to see pretty solid performance. Power tools, torque wrenches going into that arena did very well.

SNA Europe, mid-single digit growth. You'll hear a little bit about that as well. And that's not bad given the European landscape. But when you look at the divisions that serve certain critical industries and specifically, you've heard about these last quarter, oil and gas, military, and in this quarter for us, international aviation and in particular international aviation that seemed to resonate out of the Middle East, those areas were afflicted. Tim's going to talk about that.

So, that's the story on the top line and when people got this news I don't think they were overwhelmed. I used the expression yesterday with the board that it was kind of a boring quarter and of course the operating guys resurrected and they were pretty upset, revolt from the back of the room. But, more or less we did what people expected. And I think as people look at the results of Snap-on they started to realize that there are certain headwinds affecting some of the commercial and industrial segment activities.

I think there was an appreciation, if you look at our absolutes, pretty good, because now when you look at the profits you'll see the profitability's up 190 basis points, 18.6% as highlighted on the slide. That's a substantial improvement year over year. If you go all the way to the bottom, 15.5%
improvement in earnings per share. Pretty darn good absolutes. So as people digested the results, even though we disappointed a bit at the top line among ourselves and to others on the outside, people said well wait a minute, Snap-on Value Creation actually seems to be working. Seems to be some truth in the tale. And by the way, auto repair doing pretty good.

And we got past, at the beginning of the year you’ll remember people somehow came out of the funk of the parties of January 1st and they were worried about car sales going down and people financing cars over seven years and eight years. And what does this mean to Snap-on Credit? Well what does it mean to Snap-on Credit? Snap-on Credit was supportive of the Tools Group. That’s why they exist. They also help RS&I once in a while. About 5% of what they do relates to RS&I. And their portfolio was up 16.9% year-over-year. Their profits were up 16.6% year-over-year and their originations, which reflect sales of big ticket items largely, some other items in there, but up 14.7%. So, again, solid contributions from Financial Services.

So how we got to the bottom line then...if you’re a little disappointed on sales Aldo, how did you get to the EPS? As a matter of act, even the earnings-per-share was a little bit better even than what we expected. So sometimes you get positive surprises. Well, the Tools Group over-performed a bit. I hate to say that because it’s going to go to Bob’s ego and he’s going to talk in a second. But, the Tools Group did better than we actually thought they would do, thank you very much. Again, the momentum in that segment, they capitalized on it.

Financial services, as a result of that did better than expected and that helped a bit. Currency was a bit worse. We anticipated it, I’d say Sara what, maybe .02 cents worse on the bottom line but, in a perverted sort of way because that’s how life works, our stock price was down from the beginning of the year and that actually generates lower expense to the corporation in what we call mark-to-market. So, there’s puts and takes. But, solid performance in terms of the operations and we’re able to deflect the negative effects of currency. And so that’s kind of the tale of the tape.
The bottom line there, in cash flow, cash flow’s a little bit better than last year if you look at the operating line $87 million. Where the difference is, more earnings, higher taxes payable. Thank you Steve. Steve also and the crew chipped in with about 7/10 to one cent depending on how you look at life, of lesser tax rate and that helped us a little bit. The taxes payable was up a bit. And working investment, despite the fact, I’m going to show you on this next slide, even though our inventories are up...you can’t see it’s specifically in this slide a little bit because it turns 3.4 actually 3.3 at this time - 3.6 I should say at this time last year...inventories are up a little bit but up less in terms of growth than what they had been. So, we’re using less cash to invest in the balance sheet.

Anyway it gives you kind of a snapshot there and you’ve seen this before, I’ve already talked about it, as reported was .8. This is what we call organic growth. This takes the effects of currency away. So C&I, which Tim, again, will talk to in a little bit, was down actually about 3-1/2% last quarter. So even though we don’t like the negative sign it’s less negative than what it had been. But, still some headwinds there.

Tools Group 8.1%, thank you again, better than our expectations. However a little bit less than 8.4%, which it was last year. Some people said okay, how long can they keep doing it? Yesterday Tom Kassouf declared a long time. We we’re very pleased that pronouncement. As a matter of fact, the word double digit was used among some of the inner circle.

In RS&I, had a little bit of decrement in the quarter due to lower under car sales, and what had been anticipated in the plan, but still was up year-over-year. So as a matter of fact they were up about 3%. If you look between Challenger and undercar equipment I think up about 3%, where we were hoping they’d be up 7%. We had our reasons why we thought they would be up.
So again, broad-based improvements in RS&I and fantastic contributions to the bottom line because Mitchell 1 continued to grow near double digits and that is a great profit contributor to the corporation.

And with that, again, here’s our trailing 12 months slide. Lots of up and lots of downs. And you might remember, as you see that relatively precipitous drop back and around January through our earnings release at that time. However, having said that, if you get to the very endpoint on the far, that side, whatever that is, left I guess for me, right for you, Snap-on on a trailing 12 month basis up about 6% and S&P 500 down about 2% and our industrial peers are about flat.

The nice thing, in my opinion, is that if you look at the recent what I call recovery, you look at the red line, it seems that people have once more digested our results and looked at some of the absolutes and said, “Hmm, not so bad if I look at the absolutes and let’s put expectations aside for a while”, because we don’t give guidance. It is not so clear to everyone how deep rooted our industrial sectors are and where they’re at. And if you look at the stock it looks like more recently it’s been restoring itself to being on a pace at least equivalent if not better than the peer group. So, that’s always a little bit reassuring.

And with that, I will turn this over to Mr. Chambers.

Tim Chambers: Thank you. Okay, thanks Aldo. Just a reminder, I’m presenting the Commercial and Industrial segment on behalf of myself, James Ng and Jesus Arregui. Both James and Jesus were here this week for the board meeting as well as the shareholder meeting. So we had a chance to spend some time together and talk about how to collectively improve our Commercial and Industrial segment results.

Let’s see here. All right. Okay. So let’s get started with safety. When you look at this chart, the incident rate and the severity rate you would call flattish. And I think, you know, when we look at it
on a rolling 12 basis, you know, it takes out some of the ups and downs that we typically experience in our plants. But when you unbundle these numbers, what you would find is that our City of Industry plant out in California had a fairly high severity rate, incident rate last year about this time. We put in some countermeasures. We made some improvements. We've seen a declining in the incident rate out there now, but it is being offset in SNA Europe. So, Jesus and I had a chance to talk about this when he was here this week. He assured me that Manuel Macedo and team are aware of it and they are making the necessary corrections in their operations to get that turned around. But overall, I would say flattish results.

Okay. So this is now the consolidated C&I group level operating results. You can see our $293 million of revenue was down about $3 million or 1%. And if you come down then to the operating income you can see $51.3 million, off about $2.3 million or 4%.

So, you know, there’s some adjustments in there. When we think about the 1% topline, the 4% bottom line miss, or degradation, it really comes from mix. Okay? So some of our businesses are more profitable than others. And when you lose in the profitable and gain in the less profitable you get this expanding effect on the margin.

I would also say that there was some currency transaction effect in the income line. So, especially in SNA Europe, you know, the euro was relatively weak. They - when they buy outside of Europe, those transactions cost them more. There was - it was about $1.8 million total in transaction currency. And the other place that we saw it was Asia. So, the plants in Kunshan, some of the products they’re buying outside of Asia, the R&D had some weakness relative to the dollar. And we saw some impact from that.

So when we look at this on an individual business basis you can see the same $293 million of revenue and $51.3 million of operating income, you can see that Industrial jumps off the page here. So, you know, our $99 million of revenue went down $16.5 million, or about 14%. We
degraded about $6 million of income on the bottom line or 22%. So, you know, beyond Industrial you would say the segments are performing pretty well. You know, we get 5% growth in SNA Europe. We got 6% growth from our Power Tools/Specialty Tools business and 10% from Asia. So, in general beyond the industrial team, the C&I group is performing.

So, let’s talk about Industrial. So we had some significant headwinds in the Industrial business. The biggest one, Aldo already mentioned, was our and international aviation segment. Aviation is very important to Industrial and the international, it makes up most of our sales outside of North America. And our sales were off about $9-1/2 million or 54%. Now, the frustrating part about this one is we have several large projects in the Middle East. There’s about nine projects worth $16 million that we had anticipated at least some of them would have been under contract and generating revenue. We’ve seen a cooling of the business climate in the Middle East, especially the peninsula. You know, I think the US stance, our government stance in the Middle East is less clear. I think it was made less clear when we signed the Iran Nuclear Agreement, that’s cooled some of our relationships. And then, when you think about these economies, they’re clearly tied to oil and gas. And what’s happened to oil and gas has put a lot of pressure on their governments. So, you know, while we would like to be under contract, the good news is that those projects are still there. They’re waiting. They’re fully developed. And we’re working hard every day trying to get them closed such that we can get back to generating revenue in this environment. But I would say it’s not something that’s going to cure itself overnight. I think there is some time here before we see this region come back to being productive for us.

The military business was down. It was down about 32%, $6-1/2 million dollars. And really it’s the fallout of the government budget process. So, if you’re aware, the US government budget starts in October each year, that’s the fiscal year start. We did not get a 2016 budget until late December through Paul Ryan’s efforts. And then Congress went on holiday break, came back in the new year and started creating appropriation bills to go ahead and spend that budget dollar.
So, you can see in some sense, the government is just getting back to work about this time. And then the other area that hit us in the quarter was our natural resources. It was down 36%, $4 million. A great majority of that was oil and gas, about $3 million of it was oil and gas, where oil and gas was down 51% in the quarter. So, that was a big negative for us.

Now some of the other segments that are going positive for us are domestic aviation. So, it was up 19% in the quarter. It was worth a couple million dollars to us. And while not so much on the OEM or the manufacturing side of aviation but on the service and maintenance side of aviation. So, if you follow the airline industry, airlines have not been as profitable as they are since probably deregulation back in the 70s. So they have money and we’re benefiting from that.

Education helped us this quarter. And this is a segment that has been afflicted over the last couple years as the federal budget or the federal government changed their policy around student loans. It impacted the number of students that could get loans and it’s impacted the number of students in automotive or diesel technician programs. So this has been a negative drag for us. We finally turned it around here. And while students is still negative for us, we’re selling less to students, we’re actually selling more to the institutions. So high schools and the vo-tech schools where they’re investing in our certification program has been a big benefit to us in the quarter.

And then some interesting new products. So, you know, we continue to generate new products. It’s important for us to grow our presence in the critical industries. Paul Burkhart out in Ohio, he’s an account manager, he’s a solutioneer working with our customers. But he was working with Aerial Corporation out in Ohio. They make compressors that compress the natural gas as they push it down the pipeline. And Aerial was looking for more tool density in their work stations and so, in a solutioneering approach, went to work, and while we had visual tool control boards, it didn’t hold enough tools and they came up with a creative way to do the double visual control cabinets that you see here in the image. Aerial purchased. What’s interesting about that one for
me is while Aerial’s in the oil and gas, they’re afflicted by what’s happening in the industry but
they’re continuing to invest to get more efficient and Snap-on’s there to help them do that.

In the other example of a new product innovation, 12 point sockets for 3/4 inch drives, so these
are big, big, big things. John Doshier down in Wichita, Kansas was working with Siemens that
makes the big wind turbines and they were looking for better tools to attach the blades to the
turbine itself. And you can imagine these huge turbines connecting with a bolt. And so John
worked with Andy Lobo’s team and they came up with 12 point sockets. And while we can now
service the wind turbine market, these same sockets can be used in oil and gas and a lot of other
big applications. So, advancements for the team.

SNA Europe, we already talked about them. They were up 5% in the quarter. This was their tenth
consecutive quarter of growth on revenue. They were up about 11% on income so fifteen
consecutive quarters. So, they’ve put together a really nice string of improvement in the European
theatre. And like all businesses, when you look across the geography you get some ups and you
get some downs. But they had several markets this quarter that had over double digit growth. So
if you look at Northern Europe you can see that they got some benefits. And when we’d talk to
Jesus he would say, “Hey look, we’re just doing a better job of understanding our customer.” You
know, where they used to sell tools out of a catalog, they would hand the catalog and say what do
you want, they kind of turned that around and they’re now creating kits specifically for different
applications, whether you’re in plumbing, whether you’re in carpentry or whether you’re a
mechanical repair person, they create a kit. And this is helping them take share in this
marketplace.

When you think about Southern Europe, it’s really - we have a very strong presence there in
Europe. And as those economies have recovered the business has benefited as a result of that.
So, they’re kind of riding the wave as the economy returns in Southern Europe.
And then when we think about some of our developing markets they all have a different story, they all have different stimuli. But one of the common themes that came through this quarter was bandsaws. So, Jesus and the team are really driving bandsaw introduction into Argentina. That has been a focus for them. They’re getting some benefits there. When we go to Russia we’re moving more carbine product, our higher value product. And then in Turkey, we’re just capturing more share in our bandsaw business. So, the emerging markets are benefiting us.

On the product side, they just launched a new line of cordless landscaping tools. They’ve only launched it in France and Italy. Their sales are already up 86% over the predecessor product and they had to slow down their product launch because they’ve consumed many more tools than they thought they would in those initial two market launches. So, as they get replenishment of inventory they will continue their rollout across Europe.

Irimo is their mid-tier brand. Think about it as Bluepoint to Snap-on. Where those markets that can’t or don’t put value in Bahco, they’re pushing harder on Irimo. You can think about Latin America, across the Africa continent and they’re getting a lot of benefit from that mid-tier product.

And then lastly, the Bahco Ergo tool management system, this has become a big part of their business. And Jesus mentioned that BETMS will be 5% of their total sales this year in 2016. So, very critical product for them in their marketplace.

Asia Pacific, they were up 10% in the quarter. Really they got some really strong growth out of India. India was up 23%. So Raju and the team in India are doing a great job for us. Southeast Asia was up 32%, so think about Malaysia, Indonesia, the Philippines. They were rocking this quarter. And then we did see some coolness in China in the big markets. So, these markets where we were getting growth were offsetting some of those areas of weakness. And I would say across China it is very uneven in terms of the revenue growth.
So some of the significant events that happened in Asia in the quarter, they had their annual reseller event January 15 and 16 in Changshaw, which is the Capital of Hunan. They brought together all their key sellers across Asia and got the chance to talk about the business, see new products and also get some training done. So that sets them up for the year.

In Japan they had their kickoff on January 23rd. You know, one of the interesting things for me when I looked at this photo is this could’ve been in North America. It has all the same signage, all the same marketing packages, the look and feel of what a kickoff event looks like over here. That happened with about 251 franchisees out of 261 total, so they got a good attendance. And their sales were up 56%, so not a bad event.

Lower left-hand corner, they have launched ATC. This is automated tool control. This is been a big hit for us in the Industrial business and we’re now extending ourselves more deeply into Asia. So Joe Chwan went over and did training events in Japan, China and Singapore. And we officially market launched on February 16 at the Singapore Air Show. When I was talking with James this week, he reported that they have completed their first sale around ATC in Japan, so that’s good news. They’re excited about this product and think it positions Snap-on favorably in the marketplace.

And then the last thing I’ll talk about is they’ve launched a new aligner. It was code-named Dragon when we were doing the development with the Equipment team, but I won’t steal Joe Pineau’s thunder, he’s going to talk about the core platform development here. But what I will say is we are working on a global scale now and they’ve taken a new product platform - this is a whole new initiative around aligners - and they’ve applied it to a very specific, targeted market, okay? The Asia market, the high-volume segment of the premium categories. So they’re going to go try and grow our penetration. They did launch this in Beijing on March 5 at the automotive repair and maintenance event. And through that event they generated over 100 initial sales. So they’ve off to a good start.
And then Power Tools and Specialty Tools. I mentioned they were up 6% top line. They were up about 15% on the bottom line, so a strong quarter for them. And always for these two businesses Snap-on tools an important component of their sales and kickoff in the first part of the year is important to that as well.

So, the sell through on Power Tools from kickoff was up about 23% or $6 million, so we had put together a strong package. We did incorporate some of our new products that we’ve recently launched, including the PTR 72 Pneumatic Ratchet and our CDR 8815 18-Volt Cordless Drill, so those are adding some nice benefits to us.

And as always with Tools, kickoff is never enough and Jeff Howe is pressuring us for some more sales. And so Landree and Manka put their creative hats on and came up with high vis (visibility) power tools and torque tools in the quarter. So, think about when you’re driving down the road and you get through a construction zone and you see that bright florescent green-yellow color, we created some in power tools and torque tools. And if the tools weren’t enough to get you excited, we threw in a t-shirt, a camo t-shirt. And we generated $2.3 million in sales, so not a bad initiative.

Also on the torque side of the business, we’re getting some help from a competitor. There’s a competitor out there called Apex, that was a combination of Danaher and Cooper Tools some time ago. They’re private equity owned. They’re going through some plant consolidations and it’s not going so well. They can’t supply the industry and they’re telling their customers to go buy somewhere else. So we are benefiting from that. And just with McMaster Car, we picked up a quarter million dollars of torque tools sales in the quarter and we’re working with several other distributors out there right now to capture some of that Armstrong business and bring it back to Snap-on.
And then the last thing I would say is that cost is always important in these operations. We generated about $750,000 of savings in the quarter and that’s about 120 basis points of improvement for these two businesses. So not too shabby.

So I will close and just say look, in Commercial and Industrial we’re recognizing we’re not carrying our weight for the corporation. So, James and Jesus and I had some discussions about that and how to improve that. But I’ll also share with you that John Warner and the military team have been carrying a lot of mail this quarter. They have signed four significant contracts that total somewhere around $20 million and those contracts start to deliver in Q2. So, we’re hoping to get some relief in the military segments. The other thing I’d say about oil and gas is it was a precipitous fall. A barrel of oil went from over $100 to about $26 over a few months, and that negatively impacted us over the last year. Oil today is about $45 a barrel. So, while I don’t think that solves or improves the industry, I do think that oil and gas will no longer be the big drag that it has been on the business. So, we’re committed to improve. We understand that we’re going to improve.

And with that, I’m going to turn it over to Mr. Bob Hamilton.

Bob Hamilton: Thanks Tim. We’ll start with safety. You can see the trend line here - incident rate, severity rate remaining fairly constant, similar to what the others have said. Our biggest opportunity continues to be lacerations, strains, trips and falls. So, still having some injuries, still some room for improvement but we’re working on that.

The financials for the group, Q1 sales were up 8.2% in the quarter and it represented the 23rd out of the past 24 quarters where sales have been up 6% or more, so we’re on a pretty good string of growth there. The growth was pretty widespread. US was up 9.2%, UK was up 13.2%, Australia about 8-1/2%, Europe, the combination of Germany, Netherlands, 5.9%.
We did have one area of weakness, that was Canada. You heard Tim refer to oil and gas, really our weakness in Canada. Canada was down about 9% in total and that was fairly well isolated to those areas that are being impacted by the oil industry and the lower oil prices.

Operating income you can see $107.2 million, 24.6% of sales. That was up 10-1/2% or 70 basis points from last year. That's made up of an 80 basis point decline in gross margin to 48.4%. That more than is explained by foreign currency impacts with the relative strength of the US dollar. We have a lot of international subs that purchase the majority of their products from our US facilities. They're using weaker currency to buy products, increases their cost, squeezes their margins a bit. And that was about 120 basis points. So overall up 70 basis points with about 120 basis points impact to currency.

Free cash flow, RONAEBIT continue at strong levels, we expect free cash flow to be well in excess of $400 million for the year and RONAEBIT to be pushing 100% by the end of the year.

Some highlights of the quarter, as always we had our kickoff meetings with franchisees. These are meetings spread throughout the nation where we bring small groups of franchisees together. It's really a celebration, an award ceremony for the prior year achievements. We roll out the new year's theme. This year's theme is “Tried, True and Proven”, reflecting the fact that we're on a pretty good stretch of sales growth. We don't really need to change the recipe a whole heck of a lot and we're going to keep doing what we've been doing. Also importantly it's a tool show and an order taking event. Orders this year up 22%, we took orders for $150 million of product. This year, you know, we continue to try to stretch out the promotions that we're taking order for well into Q2. Helps both the franchisees as well as us, our manufacturing plants and our distribution get ready and better plan for the increases that we've been seeing.

So the kickoff sales growth or order intake growth represents some franchisee enthusiasm. This chart kind of shows us some external validation of the Snap-on franchise proposition. I'm not
going to go through all of these but these are recent recognition from independent organizations that are saying good things and ranking the franchise proposition very strongly. Point here is over the past number of years we’re being recognized more and more as a franchiser of choice. We’re continually moving up in most of these rankings. So that’s good feedback and good progress.

I’d like to highlight some of the things that are going on in the locations within the Tools Group. With the growth we’ve been having we’ve been expanding some of our facilities and at the same time when we expand the facilities try to upgrade them a little bit for the associates, make Snap-on a better place, a great place to work.

Here you see some pictures of a recent expansion to our UK headquarters. The main goal here was to expand and upgrade our repair and service center. This was an older building facility down the road from our main warehouse. Somewhat inefficient being located away from our main facility. So we sold that building, put an expansion on the headquarters and built a world class service center to better serve franchisees. The center picture is a ceremonial ribbon cutting with Tom Kassouf, Aldo Rodi, some government officials who attended the ceremony. And that took place actually in a new café that we built. So we’re trying to give the associates a better place to spend some down time when they’re not working. We also added new locker rooms, restroom facilities and conference facilities. Pretty much the same thing we’ve been doing gradually throughout a lot of our Tools Group facilities.

Carson City...we had an open house for franchisees at our Carson City Velocity Center. Over 200 franchisees attended, gave them an opportunity to tour the warehouse, importantly meet the Snap-on team, the associates who help them, support their business, driving growth in their business. Taking a tour, they were better able to appreciate how we process their orders and the complexity in our business. On the lower left there you see one of our franchisees, Andrew Della. He actually, while he was on the tour, he placed an order with the customer care center that
would be served from Carson City. He was able to go out on the floor, pick his order. You can see he’s packing it there, getting it ready to be shipped by UPS and it would’ve been delivered the next week for him to deliver to his end customer.

In Milwaukee we continue to make efforts to develop our employees, become an employer of choice. We’ve opened a development center. What this really is is a dedicated training space. We’ve got high tech CNC machines, other machinery, the same as we have on the plant floor to train employees. We’ve developed curricula with Milwaukee Area Technical College, bring in faculty form MATC to teach the classes, to help employees develop new skills, get themselves prepared to take on higher skilled positions. We’ve had five people since graduating from the program who’ve actually moved up to more skilled positions. Eight more who up skilled and are ready to move into higher positions when we have openings. We’ve also got people who already have the skills but maybe are refreshing them, not using them currently so they can get more familiar with what’s going on in the plant. Seems like the associates really appreciate the opportunity and the investment the company’s made. It’s a win-win for both the associates and Snap-on to get people trained. We’re going to take the success we had in Milwaukee, we’re going to replicate it in Elizabethton. We’ll be breaking ground this spring, building out a similar facility, develop similar training programs and we hope to have 50 associates trained by the end of the year in a similar program.

And finally, one point on collaboration. The Milwaukee plant and Elizabethton have started producing some items for SNA Europe specifically for their top tier Bahco lineup. This helps them improve the position of their product line and it’s good for our manufacturing flow, fits well. It allows the corporation to leverage its manufacturing capabilities. Good efforts that help both businesses give our plants volume and upgrade the SNA Europe and Bahco product line.

So those are a couple of things looking back, what’s been going on in the quarter. Just a couple of highlights and what we have to look forward to. Top two pictures here represent the new
scheme for our racecar sponsorship that you'll be seeing in the next months. The upper right is our Xfinity NASCAR Car where we will have primary sponsorship you’ll see in May in Charlotte and July in Kentucky, August in Watkins Glen. The new theme fits with our Tools of Triumph tour, so we expect to get some good exposure and good tie in with that tour. On the left you see Cruz Pedregon’s funny car, similar paint scheme. We expect to get some better exposure this year as the coverage of the NHRA has moved from ESPN which was a time-delayed somewhat abbreviated coverage of the racing. It’s now going to be on Fox Sports and covered live in more expansive coverage. So that should be some good exposure, things we can look forward to, seeing Snap-on.

And finally also look forward we’ll have our Snap-on Franchisee Conference or SFC in Orlando this year in August. Again, franchisees are pretty enthusiastic to attend this event. This as opposed to the kickoffs where we have distributed meetings, smaller meetings, we bring all the franchisees together here to one event. It’s part training, part tool show, and of course, a big order taking event.

The upper right chart shows enrollment, people signing up to attend this year’s event versus last year at this time. Franchisees registering to attend are up about 4%, that’s compared to last year’s record attendance. So that shows good enthusiasm franchisees are looking forward to attending. But interestingly while franchisees are signing up at a 4% higher clip, the lower right graph shows hotel rooms that have been booked, the people who - the number of rooms are up 25%. And this largely reflects the fact that many of our franchisees are adding employees, adding sales assistants and they’re recognizing the importance of the SFC. They’re signing their sales assistants to also attend the SFC, so we expect to have great attendance this year at the SFC again.
So, all in all, we’re off to a pretty strong start in Q1 and things look good for the balance of the year and some exciting things are going on in Tools Group. And I will now turn it over to Joe Pineau who’ll cover some RS&I topics.

Joe Pineau: Thank you and good morning. We’re going to start looking at safety. The safety trend over the past 13 months has been very favorable. If you look back at Q1 of last year you can see it wasn’t as good. We spent a lot of time working inside the factories and speaking to people and putting procedures in place to drive that down and we’ve done that. And we’re able to sustain it. I think what’s lost in this metric though is that what’s happening now, we’re driving it down inside the factories, what’s happening is we’re having a lot of slip and falls in the parking lot and some of the areas that are icier. We’re also having a lot of field events where people that are in vehicles during the day are in accidents. Not to their fault but still it results in an incident and sometimes it results in loss time. We’re encouraged though that these are pretty compressed to about five of our locations out of the 40. Thirty-five of the 40 have no incidents for the last 12 months, so that’s a victory of sorts. And so we’re satisfied with this metric. We continue to look at the parking lots, we continue to look at the field to try and drive down those incidents that are happening out there.

When you look at our financials, we’re pretty encouraged here. It was a good quarter. Just below 5% of net sales increase. A pretty decent drop through on that increase. We controlled operating expenses pretty well and so what you see at the bottom line is roughly a 10% increase, about 130 basis points in operating income and we’re pretty pleased with that.

When you look at where that’s coming from in each of the divisions, you see in the OEM business, and you might look at the 2.7 almost 3% and not think that that’s pretty good. However, last quarter they had a record quarter. They had their best quarter ever. A very good quarter and so 3% growth on top that is actually pretty good. And you can see in the independent market, we sustained with about 6.7% growth and then Equipment with 5%. So overall everybody contributed. And it was a pretty good quarter.
We'll look at some highlights in each of the segments. And I won't read all of these but I'll point out JCB is one of the largest tractor suppliers in North America. And we've got a contract now with them. It's a multi-year, multi-million-dollar contract where we'll supply parts and service support for them. In addition to that, Cummins, the INLINE 7, which is the piece of equipment you can see over on the right, this unit attaches into the vehicle and it allows wireless connectivity to the engine onto other parts of the vehicle so that they can read and diagnose the problems without having to take the vehicle apart. And that's difficult in some of these big tractors and trucks.

In the independent repair shops, Mitchell had some good success. Very competitive business of Firestone and Goodyear dealerships and they won 2,300 of those shops this past year. So they will start using the ProDemand business unit for repair information for those locations.

And then on the bottom right you can see Undercar Digest is starting to recognize us more and more. The six awards for the Undercard Digest Top 10 that were awarded. So for the SOLUS Edge and the ETHOS platform, the diagnostic platforms, we won two awards. And then Mitchell won for four different, you see ProDemand, SureTrack, Manager SE and Mobile Manager Pro all won awards. And so, we're getting recognized for innovation in those two areas.

As we move into Equipment, Tim had mentioned earlier our alignment and where we're going with alignment products. So you see the V3300, which was just launched at the North American Dealer Association show down in Las Vegas in March. This is the fastest and most advanced alignment system that's available on the market today. It was launched and is available, let me see, a plug and play aligner is how we would refer to this. And I think when you normally think of alignment you don't see it as this until it's assembled. But it comes on several pallets and it comes in several boxes that need to be assembled. And the nice thing about this is it'll roll off the pallet, you can plug it in and you can be doing alignments 30 minutes after you do that. In addition, it's the fastest aligner and so it saves 30% of the time that it takes to do an alignment.
So, those are the highlights. In closing, I would say Snap-on value creation leads the way for us. Our associates are safer, our customers are happier, we’re connected to customers better than ever and we’re leading with awards that are leading to innovation and increased revenue for our business.

So thank you. With that, I’ll turn it over to Nick.

Nick: ...starting to become a familiar perch for me. I feel like I’ve been here quite a bit lately. And I suppose you’re wondering what the heck else could I say that I haven’t said. You know, I have to say, I wonder that myself. I’m wondering that myself. You know, I talked for almost an hour yesterday so you would’ve thought I would’ve gotten it out. You know, but was a little different audience yesterday. A little different. They’re the people who are part of Snap-on and they depend on us but the principle responsibility, the contemporary responsibility, the responsibility for today and tomorrow rests on the people in this room.

I spoke about the video yesterday and I spoke mostly about the importance and the uniqueness of Snap-on. But, I didn’t focus on the beginning of the video, which started - if you remember how the video started it started with a number of our associates and they said I’m Snap-on, I’m Snap-on. I’m Snap-on. I’m Snap-on. And what did all that mean? Well it meant that the people who were pictured there and then by extension all of us are members of this great company. But it also meant that as the contemporary associates of this great company we take responsibility for its progress. And to the extent the others in that audience, the investors, the retirees, the customers, the franchisees, the communities that depend on us, we are responsible for them and we carry their hope. It’s true. You know it’s true.

Yesterday, you know, we - I saw this discussion here and what I want to say is this. Is that we had those people and we benefited. You heard me say yesterday, we have investors and we
have their confidence. We have retirees and they’re dedicated to us. We have customers and they put faith in our products. And we have the community who supports us.

And we spoke this morning, Aldo spoke a long time about the stock price, stock price. So the stock price is only one measure of our success. It ain’t everything. I want us to always remember that. Now we want the stock price to go up because we’re invested in the stock price to a large amount of - to a large or a little amount and it supports a lot of the people. But in fact, the stock price isn’t everything. Now our stock price maintains itself and if you look at us versus the market we did okay in terms of the earnings release some people were up other. Like there was a company I’m aware of it was up 14% in the first day and their earnings went up 10%. Well, your earnings went up 15.5%. So it’s interesting times in which a number of things impact us. So while we watch the stock price, remember it ain’t everything.

And by my standards this was an encouraging quarter. Two and a half percent growth - organic growth - against the wind. You heard Tim Chambers talk about the deep holes of military and oil and gas. Anybody think oil and gas is in trouble? Anybody think we haven’t heard sequester around Washington? Anybody think there isn’t trouble in the Middle East? Well we know there is and if you didn’t have those we would’ve been up 5% for the corporation and that is stratospheric against GDPs which are growing at 1% to 2%.

So great performance against the wind in the OI margin. The OI margin was 18.6%, up 190 basis points. Again, some goes ins and goes outs. We got some good news from the stock price, but we also had some bad news from the currency. And then if you look at the EPS it was $2.16 and at the end of the day on an absolute basis no matter what was in that, bad news for currency good news for stock it was up 15.5% and this is an encouraging number. Congratulations.
It was actually a great quarter, given the environment. And, you know, as I say, lots of times there are - and I say this every time I'm up here, there are collective and individual achievements against it. You know, against this kind of - that support this kind of thing.

C&I, troubled C&I...sales down a percent. OI down I think like 60 basis points. Painful, but there are points of light in C&I. For example, SNA Europe was up 4.9% and its OI was up 70 basis points and you had people like Andoni Maiz who was up 12% in Spain. Lars Veng was - who was up 8% this time, 10% this time. He's the sales director in Finland and Denmark and this is his eighth straight quarter of increase.

Pedro Azevedo who's in Portugal and Michael Kafiris who is in Greece, both kind of weak economies and they grew against those economies. Not so bad. In Industrial, Don Sirchia who's the number one educational account manager. Education was up in Industrial, not so bad. David Simurda who's a Canadian account manager whose business was up 150% versus forecast. You look at those things and you realize they're pretty good, pretty good.

Tom Pander down in Murphy, North Carolina. He's an engineering technician and he gets an idea, boy I can machine pneumatic hammer parts out of cold form stock instead of just raw steel, and he saves us $120,000. Pedro Escobedo from the specials, specialty business who sees we can capture business from a competitor in torque. Sets up a new assembly line, works six days a week for 12 hours and takes the business because he can deliver. So even in C&I, even in C&I, a troubled place, substantially, you know, pieces of light which support the business. And, I guess you could say had encouraging performances.

You look at the Tools Group, the mighty Tools Group, what was it, 24.8% in OI. Up 8.2% in sales growth and up, I guess, 60, 70 basis points in OI margin. And somebody I want to recognize here, Mr. Bill AuBuchon, director of product management. He's been with us 35 years, 35 years. And I would say over those years has been the epitome of a Snap-on team member. Never fails to
contribute. Never fails to be dedicated. Never fails to be committed. Never fails to be accurate and effective and never fails to contribute his energy to the collective success of our business. Extraordinary person, extraordinary.

Ryan Tilker, the TechKnow sales guy who leads, who did $1 million in the quarter and was number one in TechKnow sales, number one. Matthew Spalding who did a great job in terms of selling again. He was 108% of forecast as sales developer for the Tools Group, 108% of forecast, but what I like about this is that this was the 19th of the last 20 that he achieved better than forecast. Extraordinary performance and I think great, great activity.

So the Tools Group had some terrific, terrific performances and then you go to RS&I. RS&I, 7.5% OI performance percentage and up 130 basis points and up, you know, 4.7% in terms of sales growth. You know, and all over RS&I you could see some terrific individual contribution.

Amanda Betz from Poway, an accounting clerk in Poway. You know what happened, we couldn’t get payments from Canadian Visa, she figured out a way around this. She figured out a way around it. Daniele Angeli, Gerhard Kolm, Salvador Russo in Correggio, the Equipment business in Correggio which fundamentally in Correggio we got an order at - sort of toward the end of the month from Asia Pacific. Complex, difficult, they figured out a way to get it out and we did it. We got it in our sales for the month and we satisfied the customer requirement. Extraordinary performance from them in that situation. You know, I think when I get these reports I’m very, I guess I would say, I’m very encouraged when I see that so many individual contributions adding up to these collective contributions.

Marina Rotenberg in Richfield, she’s a senior tech leader who develops a process that improves development velocity that allows us to get releases out more timely to people like GM and Ford and Chrysler. Allows us to build the business. Jeremiah Harkins a product manager from Pro-Cut up in New Hampshire, who, how would you like this, he’s responsible for the new X9 lathe and
we’re going to launch it at NADA. You know, NADA is at the beginning of April I think and two weeks before that they find out there’s a problem in the field. Well he works day and night to fix it and we launch it and it sells well.

Individual performances, individual performances... and I can’t forget the Credit Company supporting the Tools Group. Dan Kubacki and Stephanie Daniele who work on the customer complaint process and make it more streamlined so we can fix any problems that are coming to us from the field and make our credit much more streamlined.

So, again, you can see C&I, difficult quarter but individual contribution. Tools, great quarter and also individual contribution and same with RS&I. Great quarter and individual contributions.

I want to come back to the idea of the video. And what all of this kind of means to us, you know, the video opened and I mentioned it several times yesterday but let me say it again, the video opened with the idea that the world we know, where we live, the ways we move, the cities we raise, the energies we wield, the dreams we dare and the hopes we hold are shaped by work. And what we do enables that work and you know that’s true. And you look back, and I said this from the podium before but I want to come back to this concept. You look back and you see in the video when we say the hopes we hold, the spaceship is going off, you can see the astronauts going out on the spaceship, and you can see the father with the little boy. The little boy, the helmet looks so big on his shoulders and he pushes him out on the field and the little boy’s running out on the field and he carries the hopes of his parents. And then it moves quickly to the Badgers and the Badgers football team is running out on the field to the cheers of 100,000 people, whatever it is, up in Camp Randall. And so it is here.

Now you may think that this is a little exaggerated and maybe it is but I would say that sports is a metaphor for life. And if you don’t think we carry hope I want you to think back to the meeting yesterday. What were the questions? One question from a retiree was oh I thank you for the
stock price; it has made my life better. How’s the pension fund going to fair? You don’t think he’s hoping that you do well? I think he is. Somebody in the back said, “Boy, what about Tesla?” and what he means, is Tesla going to take your business away? He’s hoping that that isn’t the case. He’s not saying that so he hopes that our business is going to go away. He’s hoping that we have an answer. Somebody else asked about driverless cars. You think he asked about driverless cars for any other reason than he hopes we have an answer to this. And we do. And when I left the - when I was leaving the building someone asked me, “Well, we’ve got all this activity in China, you know, are - what are we doing with that? Are we going to close factories here?” He’s hoping we do not. Of course we are not. We aren’t going to match the 24 million vehicles in China but, you see, the meeting yesterday was confirmation that what we do, we do deliver dreams in the form of boxes and making fifth graders feel good about our tools. But you also carry the hope and that is a tremendous responsibility. The people who came before us and the people who have been here 50 years, of course, carried that hope, you carry it now. It’s important to remember.

Now if you think this isn’t... my view of it, and I’ll just offer my view of it...We spend weekends watching sports. Like soccer games in Europe or football games in United States or basketball games in the United States. And why do we watch them, because we invest in these teams and we hope they will do well. And you spend some of your time at this. But what you do every day is a similar activity and retirees and investors and communities and franchisees and customers have hope in your success.

And if you think that it isn’t all of us then consider this, one more sports metaphor. Last night the NFL (and I almost fell off here), last night the NFL conducted a draft. One of the world’s great marketing events, you know, for example now I think almost as many people are watching the draft as they’re watching the playoff games. And everybody’s hanging on every word and they’re analyzing it all. One of the top 16 picks, oh and in fact, the big story last night was a guy named Laremy Tunsil who was supposed to go at one time number one, which means a lot of money. He
fell way down. He went down and down, everybody’s talking about this. He’s an offensive tackle. And in fact, in the first 16 there was somebody called - there were four offensive tackles drafted. So, 32 teams, they use their top precious choice and they’re going to pay the - they use these top precious choice to get an offensive tackle.

And you know, when you watch the Green Bay Packers and you see Aaron Rodgers back up and about to pass, you hope that Josh Sitton or Bryan Bulaga or David Bakhtiari is going to protect you. But how many times - I know you don’t Tom Brown because you’re a Bears fan - but how many times have you actually focused on Bryan Bulaga on the field? I would say almost never. I would say almost never. Yet you all know that the Green Bay Packers will not be successful unless he does his job. You all know that. And that is demonstrated in the fact that they dedicated four of the top 16, 25% of the top choices to offensive tackles even though nobody’s ever going to watch them.

People don’t necessarily watch our people who are taking care of the retirees on the phone. People don’t necessarily watch our people who are handling benefits. People don’t necessarily watch our people who are designing new products. People don’t necessarily watch our people who are going out to the floor on a Saturday morning like happened out here, out in Crystal Lake on April 2 where people went out and made sure that UPS was delivering the product because they knew that customers want them. People don’t necessarily watch them but they know that they have to be there to be successful. And that - if you think by extension all of you can contribute - do contribute to the success of Snap-on. You see, when we say that world we know is shaped by work and we deliver dreams and we carry hopes we mean you. And you know it’s true.

So what I’m saying here is if you walk away from this with anything, yesterday if you went - if you were listening yesterday and watching the video you should’ve known that you are Snap-on and you create the way, that was the message. If you were listening at the meeting you should’ve
been convinced that you carry hope. And if you listen to me today, you should know that what you
did in the first quarter was tremendous and you justified that hope and fulfilled it. Congratulations
and thanks.

Are we done? Am I supposed to ask for questions or something? Does anybody have any
questions?

Operator: Ladies and gentlemen on the phone that’s Star 1 for any questions.

Nick: ...Patriots, it’s been determined that the Patriots are so good that they don’t need a first round draft
choice. I don’t know, that’s your interpretation. Any actual intelligent questions? Any other - any
questions? All right, thanks everybody.

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