



Quarterly Financial Review

Fourth Quarter 2016

Cautionary Statement

- These slides should be read in conjunction with comments from the February 2, 2017 conference call. The financial statement information included herein is unaudited.
- Statements made during the February 2, 2017 conference call and/or information included in this presentation may contain statements, including earnings projections, that are forward-looking in nature and, accordingly, are subject to risks and uncertainties regarding Snap-on's expected results; actual results may differ materially from those described or contemplated in these forward-looking statements. Factors that may cause actual results to differ materially from those contained in the forward-looking statements are detailed in the corresponding press release and Form 8-K and in Snap-on's recent 1934 Act SEC filings, which are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the February 2, 2017 conference call and/or included in this presentation, except as required by law.
- This presentation includes certain non-GAAP measures of financial performance, which are not meant to be considered in isolation or as a substitute for their GAAP counterparts. Additional information regarding these non-GAAP measures is included in Snap-on's February 2, 2017 press release and Form 8-K, which can be found on the company's website at <http://www.snapon.com/sna>.

Who We Are

OUR MISSION

The most valued productivity solutions in the world

BELIEFS

We deeply believe in:

Non-negotiable Product and Workplace Safety
Uncompromising Quality
Passionate Customer Care
Fearless Innovation
Rapid Continuous Improvement

VALUES

Our behaviors define our success:

We demonstrate Integrity.
We tell the Truth.
We respect the Individual.
We promote Teamwork.
We Listen.

VISION

To be acknowledged as the:

Brands of Choice
Employer of Choice
Franchisor of Choice
Business Partner of Choice
Investment of Choice



Nick Pinchuk

Chairman and Chief Executive Officer



Aldo Pagliari

Senior Vice President and Chief Financial Officer

Consolidated Results – 4th Quarter

(\$ in millions, except per share data - unaudited)	2016		2015		Change
	\$	%	\$	%	
Net sales	\$ 889.8		\$ 851.7		4.5 %
➤ Organic sales	30.0				3.6 %
➤ Acquisitions	23.3				2.8 %
➤ Currency translation	(15.2)				(1.9)%
Gross profit	\$ 443.9	49.9 %	\$ 412.3	48.4 %	
Operating expenses	267.8	30.1 %	250.0	29.3 %	
Operating earnings before financial services	\$ 176.1	19.8 %	\$ 162.3	19.1 %	8.5 %
Financial services revenue	\$ 74.2		\$ 63.1		17.6 %
Financial services operating earnings	51.6		45.0		14.7 %
Operating earnings	\$ 227.7	23.6 %	\$ 207.3	22.7 %	9.8 %
Net earnings	\$ 146.3		\$ 131.4		11.3 %
Diluted EPS	\$ 2.47		\$ 2.22		11.3 %

- Organic sales up 3.6%; excludes \$23.3 million of acquisition-related sales and \$15.2 million of unfavorable foreign currency translation
- Gross margin of 49.9% improved 150 basis points (bps) primarily due to benefits from higher sales and savings from Rapid Continuous Improvement (“RCI”) initiatives
- The operating expense margin of 30.1% increased 80 bps primarily due to acquisition-related and other expenses, including operating expenses for Car-O-Liner and Sturtevant Richmond, and a 30 bps benefit realized in Q4 2015 from a gain on the sale of a former manufacturing facility, partially offset by lower pension expense
- Operating earnings before financial services of \$176.1 million, including \$3.7 million of unfavorable foreign currency effects, increased \$13.8 million and the operating margin improved 70 bps to 19.8%

Commercial & Industrial – 4th Quarter

(\$ in millions - unaudited)	2016	2015	Change
Segment sales	\$ 286.3	\$ 281.8	1.6 %
➤ Organic sales	6.5		2.4 %
➤ Acquisitions	4.2		1.5 %
➤ Currency translation	(6.2)		(2.3)%
Gross profit	\$ 115.4	\$ 107.6	
% of sales	40.3 %	38.2 %	
Operating expenses	\$ 71.5	\$ 65.7	
% of sales	25.0 %	23.3 %	
Operating earnings	\$ 43.9	\$ 41.9	4.8 %
% of sales	15.3 %	14.9 %	

- Organic sales up \$6.5 million or 2.4%; excludes \$6.2 million of unfavorable foreign currency translation and \$4.2 million of acquisition-related sales
 - Increased sales in the segment’s European-based hand tools business and higher sales to customers in critical industries
- Gross margin of 40.3% improved 210 bps primarily due to benefits from higher sales, savings from RCI initiatives and favorable foreign currency effects
- The operating expense margin of 25.0% increased 170 bps primarily as a result of higher costs, including operating expenses for new acquisitions, a 70 bps benefit realized in Q4 2015 from a gain on the sale of a former manufacturing facility and unfavorable foreign currency effects
- Operating earnings of \$43.9 million, including \$1.8 million of favorable foreign currency effects, increased \$2.0 million and the operating margin improved 40 bps to 15.3%

Snap-on Tools – 4th Quarter

(\$ in millions - unaudited)	2016	2015	Change
Segment sales	\$ 417.5	\$ 411.2	1.5 %
➤ Organic sales	12.2		3.0 %
➤ Currency translation	(5.9)		(1.5)%
Gross profit	\$ 175.5	\$ 173.7	
% of sales	42.0 %	42.2 %	
Operating expenses	\$ 102.0	\$ 101.8	
% of sales	24.4 %	24.7 %	
Operating earnings	\$ 73.5	\$ 71.9	2.2 %
% of sales	17.6 %	17.5 %	

- Organic sales up \$12.2 million, or 3.0%, reflecting sales increases in both the company's U.S. and international franchise operations
- Gross margin of 42.0% declined 20 bps as 60 bps of unfavorable foreign currency effects was partially offset by benefits from higher sales
- The operating expense margin of 24.4% improved 30 bps primarily due to sales volume leverage
- Operating earnings of \$73.5 million, including \$3.8 million of unfavorable foreign currency effects, increased \$1.6 million and the operating margin improved 10 bps to 17.6%

Repair Systems & Information – 4th Quarter

(\$ in millions - unaudited)	2016	2015	Change
Segment sales	\$ 319.8	\$ 280.6	14.0 %
➤ Organic sales	24.6		8.9 %
➤ Acquisition	19.1		6.9 %
➤ Currency translation	(4.5)		(1.8)%
Gross profit	\$ 153.0	\$ 131.0	
% of sales	47.8 %	46.7 %	
Operating expenses	\$ 70.5	\$ 58.9	
% of sales	22.0 %	21.0 %	
Operating earnings	\$ 82.5	\$ 72.1	14.4 %
% of sales	25.8 %	25.7 %	

- Organic sales up \$24.6 million or 8.9%
 - Increased sales of diagnostic and repair information products to independent repair shop owners and managers, higher sales to OEM dealerships and increased sales of undercar equipment
- Gross margin of 47.8% improved 110 bps primarily due to benefits from higher sales and savings from RCI initiatives
- The operating expense margin of 22.0% increased 100 bps primarily due to operating expenses for Car-O-Liner
- Operating earnings of \$82.5 million, including \$1.7 million of unfavorable foreign currency effects, increased \$10.4 million and the operating margin improved 10 bps to 25.8%

Financial Services – 4th Quarter

<i>(\$ in millions - unaudited)</i>	2016	2015	Change
Segment revenue	\$ 74.2	\$ 63.1	17.6 %
Operating earnings	\$ 51.6	\$ 45.0	14.7 %
Originations	\$ 260.3	\$ 252.0	3.3 %

- Originations increased \$8.3 million or 3.3%
- Average yield on finance receivables of 18.2% compared to 17.8% in 2015
- Average yield on contract receivables of 9.3% compared to 9.5% in 2015

Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,304.2	\$ 1,600.7	\$ 151.4	\$ 214.0
Portfolio net losses (TTM)	\$ 31.2	\$ 32.5	\$ 1.9	\$ 2.2
60+ Delinquency:				
As of 12/31/16	1.6 %	1.3 %	0.7 %	0.7 %
As of 09/30/16	1.3 %	1.1 %	0.6%	0.5 %
As of 06/30/16	1.1 %	0.9 %	0.6 %	0.6 %
As of 03/31/16	1.2 %	1.0 %	0.7 %	0.6 %
As of 12/31/15	1.3 %	1.1 %	0.7 %	0.6 %

- Gross finance portfolio of \$1,814.7 million as of 2016 year end
 - Full year 2016 portfolio growth of \$224.0 million
- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	4th Quarter		Full Year	
	2016	2015	2016	2015
Net cash provided by operating activities	\$ 151.7	\$ 144.4	\$ 567.3	\$ 496.5
➤ Net earnings	149.7	134.5	559.6	490.6
➤ Depreciation and amortization	21.7	21.4	85.6	82.5
➤ Changes in deferred income taxes	13.8	1.1	1.3	(5.1)
➤ Changes in working investment	(24.0)	(7.0)	(57.4)	(83.3)
➤ Changes in accruals and other liabilities	(49.8)	(18.5)	(60.7)	10.0
➤ Changes in all other operating activities	40.3	12.9	38.9	1.8
Net increase in finance receivables	\$ (53.6)	\$ (66.8)	\$ (243.3)	\$ (219.4)
Capital expenditures	\$ (17.7)	\$ (16.1)	\$ (74.3)	\$ (80.4)
Acquisitions of businesses, net of cash acquired	\$ (160.4)	\$ 1.3	\$ (160.4)	\$ (11.8)
Free cash flow	\$ 80.4	\$ 61.5	\$ 249.7	\$ 196.7
Free cash flow from Operations	\$ 100.8	\$ 144.4	\$ 396.3	\$ 350.0
Free cash flow from Financial Services	\$ (20.4)	\$ (82.9)	\$ (146.6)	\$ (153.3)
Decrease in cash	\$ (39.9)	\$ (26.4)	\$ (15.2)	\$ (40.1)

- Changes in working investment – Net changes in trade and other accounts receivable, inventory and accounts payable
- Free cash flow – Net cash provided by operating activities less net change in finance receivables and capital expenditures
- Free cash flow from operations – Net cash provided by operating activities, exclusive of financial services, less capital expenditures
- Free cash flow from financial services – Net cash provided by financial services operating activities, less net change in finance receivables and capital expenditures

Balance Sheet

<i>(\$ in millions - unaudited)</i>	2016 Year End	2015 Year End
Trade & Other Accounts Receivable - net	\$ 598.8	\$ 562.5
Days Sales Outstanding	63	60
Finance Receivables - net	\$ 1,407.0	\$ 1,220.0
Contract Receivables - net	\$ 374.8	\$ 348.7
Inventory - net	\$ 530.5	\$ 497.8
Inventory turns - TTM	3.3	3.5
Cash	\$ 77.6	\$ 92.8
Total debt	\$ 1,010.2	\$ 880.1
Net debt	\$ 932.6	\$ 787.3
Net debt to capital ratio	26.3 %	24.6 %

- Total debt as of 2016 year end included \$130 million of commercial paper borrowings; as of 2015 year end, there were no commercial paper borrowings outstanding
- On January 17, 2017, Snap-on repaid \$150 million of unsecured 5.50% notes at maturity with available cash and cash generated from issuances of commercial paper