



Quarterly Financial Review

Fourth Quarter 2017

Cautionary Statement

- These slides should be read in conjunction with comments from the February 8, 2018 conference call. The financial statement information included herein is unaudited.
- Statements made during the February 8, 2018 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 8, 2018 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 8, 2018 press release and Form 8-K, which can be found on the company's website in the investors section at www.snapon.com.

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)	2017		2016		Change
	\$	%	\$	%	
Net sales	\$ 974.6		\$ 889.8		9.5 %
➤ Organic sales	38.9				4.3 %
➤ Acquisitions	29.7				3.3 %
➤ Currency translation	16.2				1.9 %
Gross profit	\$ 465.3	47.7 %	\$ 443.9	49.9 %	
Operating expenses	307.6	31.5 %	267.8	30.1 %	
Operating earnings before financial services	\$ 157.7	16.2 %	\$ 176.1	19.8 %	(10.4)%
Financial services revenue	\$ 79.9		\$ 74.2		7.7 %
Financial services operating earnings	54.4		51.6		5.4 %
Operating earnings	\$ 212.1	20.1 %	\$ 227.7	23.6 %	(6.9)%
Net earnings	\$ 129.5		\$ 146.3		(11.5)%
Diluted EPS	\$ 2.24		\$ 2.47		(9.3)%

- Organic sales up 4.3%; excludes \$29.7 million of acquisition-related sales and \$16.2 million of favorable foreign currency translation
- Gross margin of 47.7% declined 220 basis points (bps) primarily due to higher sales of lower gross margin products, 60 bps of lower gross margins on acquisition-related sales, and 20 bps of unfavorable foreign currency effects
- The operating expense margin of 31.5% increased 140 bps as 320 bps for a charge related to a judgment in a patent-related litigation matter that is being appealed (“legal charge”) were partially offset by benefits from sales volume leverage and a 40 bps benefit from operating expenses for acquisitions
- Operating earnings before financial services of \$157.7 million, including \$30.9 million for the legal charge, decreased \$18.4 million and the operating margin of 16.2% compared to 19.8% last year; excluding the legal charge, operating margin before financial services in 2017, as adjusted, was 19.4% of sales
- Diluted EPS of \$2.24 down 9.3%; excluding \$0.33 per share legal charge, and \$0.12 per share impact as a result of the implementation of new U.S. tax legislation, diluted EPS, as adjusted, of \$2.69 up 8.9%

Commercial & Industrial – 4th Quarter

(\$ in millions - unaudited)	2017	2016	Change
Segment sales	\$ 341.7	\$ 286.3	19.4 %
➤ Organic sales	29.5		10.1 %
➤ Acquisitions	19.1		6.5 %
➤ Currency translation	6.8		2.8 %
Gross profit	\$ 134.0	\$ 115.4	
% of sales	39.2 %	40.3 %	
Operating expenses	\$ 83.1	\$ 71.5	
% of sales	24.3 %	25.0 %	
Operating earnings	\$ 50.9	\$ 43.9	15.9 %
% of sales	14.9 %	15.3 %	

- Organic sales up \$29.5 million or 10.1%
 - Primarily due to increased sales to customers in critical industries and in the segment's European-based hand tools business, as well as gains in both the segments power tools and Asia/Pacific operations
 - Excludes \$19.1 million of acquisition-related sales and \$6.8 million of favorable foreign currency translation
- Gross margin of 39.2% decreased 110 bps from 2016 due to higher sales of lower gross margin products and 50 bps of unfavorable foreign currency effects
- The operating expense margin of 24.3% improved 70 bps primarily due to the benefits of sales volume leverage, partially offset by 50 bps of operating expenses from acquisitions
- Operating earnings of \$50.9 million, including \$0.6 million of unfavorable foreign currency effects, increased \$7.0 million; the operating margin of 14.9% compared to 15.3% last year, including a 50 bps impact from acquisitions

Snap-on Tools – 4th Quarter

(\$ in millions - unaudited)	2017	2016	Change
Segment sales	\$ 409.2	\$ 417.5	(2.0)%
➤ Organic sales	(12.6)		(3.0)%
➤ Currency translation	4.3		1.0 %
Gross profit	\$ 169.3	\$ 175.5	
% of sales	41.4 %	42.0 %	
Operating expenses	\$ 102.0	\$ 102.0	
% of sales	25.0 %	24.4 %	
Operating earnings	\$ 67.3	\$ 73.5	(8.4)%
% of sales	16.4 %	17.6 %	

- Organic sales down \$12.6 million, or 3.0%, including a decrease in the company's U.S. franchise operations, partially offset by increased sales in the company's international franchise operations
- Gross margin of 41.4% decreased 60 bps due to the lower volume and related costs
- The operating expense margin of 25.0% increased 60 bps primarily due to the effect of the lower sales
- Operating earnings of \$67.3 million, including \$1.3 million of favorable foreign currency effects, decreased \$6.2 million and the operating margin of 16.4% compared to 17.6% last year

Repair Systems & Information – 4th Quarter

(\$ in millions - unaudited)	2017	2016	Change
Segment sales	\$ 356.8	\$ 319.8	11.6 %
➤ Organic sales	20.2		6.2 %
➤ Acquisitions	10.6		3.2 %
➤ Currency translation	6.2		2.2 %
Gross profit	\$ 162.0	\$ 153.0	
% of sales	45.4 %	47.8 %	
Operating expenses	\$ 72.2	\$ 70.5	
% of sales	20.2 %	22.0 %	
Operating earnings	\$ 89.8	\$ 82.5	8.8 %
% of sales	25.2 %	25.8 %	

- Organic sales up \$20.2 million or 6.2%
 - Increased sales to OEM dealerships and in sales of diagnostic and repair information products to independent repair shop owners and managers
 - Excludes \$10.6 million of acquisition-related sales and \$6.2 million of favorable foreign currency translation
- Gross margin of 45.4% decreased 240 bps, including a 110 bps impact from acquisitions, higher sales of lower gross margin products, and 10 bps of unfavorable foreign currency impacts, partially offset by savings from Rapid Continuous Improvement (“RCI”) initiatives
- The operating expense margin of 20.2% improved 180 bps due to the higher sales volume and 80 bps of benefits from acquisitions, partially offset by 10 bps of unfavorable currency effects
- Operating earnings of \$89.8 million, including \$0.8 million of favorable foreign currency effects, increased \$7.3 million; the operating margin of 25.2% compared to 25.8% last year, including a 30 bps impact from acquisitions

Financial Services – 4th Quarter

<i>(\$ in millions - unaudited)</i>	2017	2016	Change
Segment revenue	\$ 79.9	\$ 74.2	7.7 %
Operating earnings	\$ 54.4	\$ 51.6	5.4 %
Originations	\$ 265.0	\$ 260.3	1.8 %

- Originations increased \$4.7 million or 1.8%, as higher originations of contract receivables were partially offset by lower finance receivables originations
- Average yield on finance receivables of 17.8% compared to 18.2% in 2016
- Average yield on contract receivables of 9.2% compared to 9.3% in 2016

Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,416.2	\$ 1,743.0	\$ 184.9	\$ 258.9
Portfolio net losses (TTM)	\$ 44.6	\$ 46.4	\$ 2.1	\$ 2.4
60+ Delinquency:				
As of 12/31/17	1.9 %	1.5 %	0.7 %	0.7 %
As of 9/30/17	1.7 %	1.5 %	0.6 %	0.6 %
As of 6/30/17	1.4 %	1.2 %	0.6 %	0.6 %
As of 3/31/17	1.4 %	1.2 %	0.7 %	0.6 %
As of 12/31/16	1.6 %	1.3 %	0.7 %	0.7 %

- Gross finance portfolio of \$2,001.9 million as of December 31, 2017
 - Full year 2017 portfolio growth of \$187.2 million
 - Q4 portfolio growth of \$28.1 million
- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	4th Quarter		Full Year	
	2017	2016	2017	2016
Net cash provided by operating activities	\$ 193.5	\$ 151.7	\$ 608.5	\$ 576.1
➤ Net earnings	133.2	149.7	572.2	559.6
➤ Depreciation and amortization	23.8	21.7	93.2	85.6
➤ Changes in deferred income taxes	22.4	13.8	12.3	1.3
➤ Settlement of treasury lock	-	-	14.9	-
➤ Changes in working investment	(22.5)	(24.0)	(133.7)	(57.4)
➤ Changes in accruals and other liabilities	19.5	(49.8)	6.2	(51.9)
➤ Changes in all other operating activities	17.1	40.3	43.4	38.9
Net increase in finance receivables	\$ (38.2)	\$ (53.6)	\$ (179.3)	\$ (243.3)
Capital expenditures	\$ (24.7)	\$ (17.7)	\$ (82.0)	\$ (74.3)
Free cash flow	\$ 130.6	\$ 80.4	\$ 347.2	\$ 258.5
Free cash flow from Operations	\$ 145.3	\$ 100.8	\$ 410.5	\$ 405.1
Free cash flow from Financial Services	\$ (14.7)	\$ (20.4)	\$ (63.3)	\$ (146.6)
Increase (decrease) in cash	\$ (2.1)	\$ (39.9)	\$ 14.4	\$ (15.2)

- 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>	2017 Year End	2016 Year End
Trade & Other Accounts Receivable - net	\$ 675.6	\$ 598.8
Days Sales Outstanding	66	63
Finance Receivables - net	\$ 1,544.6	\$ 1,407.0
Contract Receivables - net	\$ 419.4	\$ 374.8
Inventory - net	\$ 638.8	\$ 530.5
Inventory turns - TTM	3.2	3.3
Cash	\$ 92.0	\$ 77.6
Total debt	\$ 1,186.8	\$ 1,010.2
Net debt	\$ 1,094.8	\$ 932.6
Net debt to capital ratio	27.0 %	26.3 %

- Total debt as of 2017 year end included \$151 million of commercial paper borrowings; \$130 million of commercial paper borrowings were outstanding as of 2016 year end
- Snap-on repurchased 1,820,000 shares for \$287.9 million in 2017

Reconciliation of Non-GAAP Financial Measures

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	Fourth Quarter		Full Year	
	2017	2016	2017	2016
Charges related to judgments in litigation matters that are being appealed (“legal charges”)				
Pre-tax legal charges	\$ 30.9	\$ -	\$ 45.9	\$ -
Income tax expense	<u>(11.8)</u>	<u>-</u>	<u>(17.5)</u>	<u>-</u>
Legal charges, net of tax	\$ 19.1	\$ -	\$ 28.4	\$ -
Weighted-average shares outstanding – diluted	57.9	59.3	58.6	59.4
Diluted EPS – legal charges	\$ 0.33	\$ -	\$ 0.48	\$ -
Charge related to implementation of tax legislation (“tax charge”)				
Tax charge	\$ 7.0	\$ -	\$ 7.0	\$ -
Weighted-average shares outstanding – diluted	57.9	59.3	58.6	59.4
Diluted EPS – tax charge	\$ 0.12	\$ -	\$ 0.12	\$ -

Reconciliation of Non-GAAP Financial Measures

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions, except per share data - unaudited)</i>	Fourth Quarter		Full Year	
	2017	2016	2017	2016
Operating earnings before financial services				
As reported	\$ 157.7	\$ 176.1	\$ 664.0	\$ 655.5
Legal charges	<u>30.9</u>	<u>-</u>	<u>45.9</u>	<u>-</u>
As adjusted to exclude legal charges	\$ 188.6	\$ 176.1	\$ 709.9	\$ 655.5
Operating earnings before financial services as a percentage of sales				
As reported	16.2 %	19.8 %	18.0 %	19.1 %
As adjusted to exclude legal charges	19.4 %	19.8 %	19.3 %	19.1 %
Operating earnings				
As reported	\$ 212.1	\$ 227.7	\$ 881.5	\$ 854.2
Legal charges	<u>30.9</u>	<u>-</u>	<u>45.9</u>	<u>-</u>
As adjusted to exclude legal charges	\$ 243.0	\$ 227.7	\$ 927.4	\$ 854.2
Operating earnings as a percentage of revenue				
As reported	20.1 %	23.6 %	22.0 %	23.0 %
As adjusted to exclude legal charges	23.0 %	23.6 %	23.2 %	23.0 %

Reconciliation of Non-GAAP Financial Measures

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	Fourth Quarter		Full Year	
	2017	2016	2017	2016
Net earnings attributable to Snap-on Incorporated				
As reported	\$ 129.5	\$ 146.3	\$ 557.7	\$ 546.4
Legal charges, after tax	19.1	-	28.4	-
Tax charge	<u>7.0</u>	<u>-</u>	<u>7.0</u>	<u>-</u>
As adjusted to exclude legal charges and tax charge	\$ 155.6	\$ 146.3	\$ 593.1	\$ 546.4
Diluted EPS				
As reported	\$ 2.24	\$ 2.47	\$ 9.52	\$ 9.20
Legal charges, after tax	0.33	-	0.48	-
Tax charge	<u>0.12</u>	<u>-</u>	<u>0.12</u>	<u>-</u>
As adjusted to exclude legal charges and tax charge	\$ 2.69	\$ 2.47	\$ 10.12	\$ 9.20
Effective tax rate				
As reported	33.0 %	30.8 %	31.1 %	31.0 %
Legal charges	1.2 %	-	0.4 %	-
Tax charge	<u>-3.6 %</u>	<u>-</u>	<u>-0.9 %</u>	<u>-</u>
As adjusted to exclude legal charges and tax charge	30.6 %	30.8 %	30.6 %	31.0 %