



Quarterly Financial Review

First Quarter 2018

Cautionary Statement

- These slides should be read in conjunction with comments from the April 19, 2018 conference call. The financial statement information included herein is unaudited.
- Statements made during the April 19, 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 April 19, 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 April 19, 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 – 1st Quarter

(\$ in millions, except per share data - unaudited)	2018		2017		Change
	\$	%	\$	%	
Net sales	\$ 935.5		\$ 887.1		5.5 %
➤ Organic sales	7.2				0.8 %
➤ Acquisitions	14.3				1.6 %
➤ Currency translation	26.9				3.1 %
Gross profit	\$ 471.6	50.4 %	\$ 448.3	50.5 %	
Operating expenses	293.9	31.4 %	278.1	31.3 %	
Operating earnings before financial services	\$ 177.7	19.0 %	\$ 170.2	19.2 %	4.4 %
Financial services revenue	\$ 83.0		\$ 76.8		8.1 %
Financial services operating earnings	56.9		52.5		8.4 %
Operating earnings	\$ 234.6	23.0 %	\$ 222.7	23.1 %	5.3 %
Net earnings	\$ 163.0		\$ 141.6		15.1 %
Diluted EPS	\$ 2.82		\$ 2.39		18.0 %

- Organic sales up 0.8%; excludes \$14.3 million of acquisition-related sales and \$26.9 million of favorable foreign currency translation
- Gross margin of 50.4% declined 10 basis points (bps) primarily due to 20 bps of unfavorable foreign currency effects and a 10 bps impact from acquisitions, as well as higher other costs, partially offset by savings from Rapid Continuous Improvement (“RCI”) initiatives
- The operating expense margin of 31.4% increased 10 bps from 31.3% last year
- Operating earnings before financial services of \$177.7 million, including \$3.7 million of favorable foreign currency effects, increased \$7.5 million and the operating margin of 19.0%, including 20 bps of unfavorable foreign currency effects, compared to 19.2% last year
- Included in other income (expense) – net was a \$13.3 million gain on settlement of a treasury lock and a \$7.8 million loss on early extinguishment of debt (collectively, “net debt items”)
- Diluted EPS of \$2.82 up 18.0%; excluding \$0.07 per share gain on net debt items, and \$0.04 per share charge for implementation of tax legislation, diluted EPS, as adjusted, of \$2.79 up 16.7%

Commercial & Industrial – 1st Quarter

(\$ in millions - unaudited)	2018	2017	Change
Segment sales	\$ 331.6	\$ 298.7	11.0 %
➤ Organic sales	6.0		1.9 %
➤ Acquisitions	13.6		4.4 %
➤ Currency translation	13.3		4.7 %
Gross profit	\$ 129.3	\$ 116.7	
% of sales	39.0 %	39.1 %	
Operating expenses	\$ 82.8	\$ 74.8	
% of sales	25.0 %	25.1 %	
Operating earnings	\$ 46.5	\$ 41.9	11.0 %
% of sales	14.0 %	14.0 %	

- Organic sales up \$6.0 million or 1.9%
 - Primarily due to increased sales to customers in critical industries, sales in the segment's European-based hand tools business, and in its Asia/Pacific operations, partially offset by a decrease in sales of power tools
 - Excludes \$13.6 million of acquisition-related sales and \$13.3 million of favorable foreign currency translation
- Gross margin of 39.0% decreased 10 bps from 2017 primarily due to 50 bps of unfavorable foreign currency effects, partially offset by the benefits of higher sales volume and RCI initiatives
- The operating expense margin of 25.0% improved 10 bps, as 20 bps of unfavorable foreign currency effects were more than offset by benefits from RCI and other cost reduction initiatives
- Operating earnings of \$46.5 million, including \$0.5 million of unfavorable foreign currency effects, increased \$4.6 million; the operating margin of 14.0%, including 70 bps of unfavorable foreign currency effects, was unchanged from 2017

Snap-on Tools – 1st Quarter

<i>(\$ in millions - unaudited)</i>	2018	2017	Change
Segment sales	\$ 404.7	\$ 409.4	(1.1)%
➤ Organic sales	(11.4)		(2.7)%
➤ Currency translation	6.7		1.6 %
Gross profit	\$ 180.3	\$ 177.1	
% of sales	44.6 %	43.3 %	
Operating expenses	\$ 111.4	\$ 106.8	
% of sales	27.6 %	26.1 %	
Operating earnings	\$ 68.9	\$ 70.3	(2.0)%
% of sales	17.0 %	17.2 %	

- Organic sales down \$11.4 million, or 2.7%, 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 44.6% improved 130 bps primarily due to 50 bps of favorable foreign currency effects, a year-over-year shift in product mix and benefits from RCI initiatives
- The operating expense margin of 27.6% increased 150 bps primarily due to the effect of the lower sales
- Operating earnings of \$68.9 million, including \$3.7 million of favorable foreign currency effects, decreased \$1.4 million and the operating margin of 17.0% compared to 17.2% last year

Repair Systems & Information – 1st Quarter

(\$ in millions - unaudited)	2018	2017	Change
Segment sales	\$ 337.0	\$ 318.8	5.7 %
➤ Organic sales	8.4		2.6 %
➤ Acquisition	0.7		0.2 %
➤ Currency translation	9.1		2.9 %
Gross profit	\$ 162.0	\$ 154.5	
% of sales	48.1 %	48.5 %	
Operating expenses	\$ 76.2	\$ 75.4	
% of sales	22.6 %	23.7 %	
Operating earnings	\$ 85.8	\$ 79.1	8.5 %
% of sales	25.5 %	24.8 %	

- Organic sales up \$8.4 million or 2.6%
 - Increased sales of diagnostic and repair information products to independent repair shop owners and managers, and increased sales to OEM dealerships
 - Excludes \$0.7 million of acquisition-related sales and \$9.1 million of favorable foreign currency translation
- Gross margin of 48.1% decreased 40 bps primarily due to 30 bps of unfavorable foreign currency effects
- The operating expense margin of 22.6% improved 110 bps primarily due to benefits from sales volume leverage and RCI initiatives, partially offset by a 20 bps impact from unfavorable currency effects
- Operating earnings of \$85.8 million, including \$0.5 million of favorable foreign currency effects, increased \$6.7 million; the operating margin of 25.5% improved 70 bps from 24.8% last year

Financial Services – 1st Quarter

<i>(\$ in millions - unaudited)</i>	2018	2017	Change
Segment revenue	\$ 83.0	\$ 76.8	8.1 %
Operating earnings	\$ 56.9	\$ 52.5	8.4 %
Originations	\$ 247.3	\$ 264.6	(6.5)%

- Originations decreased \$17.3 million or 6.5% due to lower originations of finance receivables
- Average yield on finance receivables of 17.8% compared to 18.0% in 2017
- Average yield on contract receivables of 9.2% compared to 9.3% in 2017

Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,415.0	\$ 1,740.8	\$ 191.5	\$ 269.4
Portfolio net losses (TTM)	\$ 47.2	\$ 48.9	\$ 2.2	\$ 2.6
60+ Delinquency:				
As of 3/31/18	1.6 %	1.4 %	0.8 %	0.7 %
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 %

- Gross finance portfolio of \$2,010.2 million as of March 31, 2018
 - Q1 portfolio growth of \$8.3 million
- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	1st Quarter	
	2018	2017
Net cash provided by operating activities	\$ 231.9	\$ 192.4
➤ Net earnings	166.8	145.1
➤ Depreciation and amortization	24.0	23.1
➤ Changes in deferred income taxes	0.4	7.4
➤ Settlement of treasury lock	-	14.9
➤ Loss on early extinguishment of debt	7.8	-
➤ Changes in working investment	0.9	1.1
➤ Changes in accruals and other liabilities	5.4	(12.0)
➤ Changes in all other operating activities	26.6	12.8
Net increase in finance receivables	\$ (16.5)	\$ (53.2)
Capital expenditures	\$ (18.0)	\$ (18.6)
Free cash flow	\$ 197.4	\$ 120.6
Free cash flow from Operations	\$ 149.6	\$ 128.9
Free cash flow from Financial Services	\$ 47.8	\$ (8.3)
Increase in cash	\$ 5.5	\$ 45.4

- 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>	March 31, 2018	December 30, 2017
Trade & Other Accounts Receivable - net	\$ 680.8	\$ 675.6
Days Sales Outstanding	66	66
Finance Receivables - net	\$ 1,548.1	\$ 1,544.6
Contract Receivables - net	\$ 418.1	\$ 419.4
Inventory - net	\$ 678.8	\$ 638.8
Inventory turns - TTM	3.1	3.2
Cash	\$ 97.5	\$ 92.0
Total debt	\$ 1,091.5	\$ 1,186.8
Net debt	\$ 994.0	\$ 1,094.8
Net debt to capital ratio	24.4 %	27.0 %

- Inventory – net as of March 31, 2018 includes a \$20.9 million increase as a result of the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, at the beginning of fiscal 2018
- On January 16, 2018, Snap-on repaid \$250 million of unsecured 4.25% notes at maturity
- On February 20, 2018, Snap-on commenced a tender offer and issued a notice of redemption for \$200 million of unsecured 6.70% notes due March 1, 2019
- Additionally, on February 20, 2018, Snap-on issued \$400 million of unsecured 4.10% notes due March 2048; net proceeds from the issuance totaled \$395.4 million

Reconciliation of Non-GAAP Financial Measures

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	1st Quarter	
	2018	2017
Debt-related items (“net debt items”)		
Gain on settlement of treasury lock (A)		
Gain on settlement of treasury lock	\$ 13.3	\$ -
Income tax expense	<u>(3.3)</u>	<u>-</u>
Gain on settlement of treasury lock, after tax	\$ 10.0	\$ -
Weighted-average shares outstanding – diluted	57.8	59.3
Diluted EPS – gain on settlement of treasury lock	\$ 0.17	\$ -
Loss on early extinguishment of debt (B)		
Loss on early extinguishment of debt	\$ (7.8)	\$ -
Income tax benefit	<u>1.9</u>	<u>-</u>
Loss on early extinguishment of debt, after tax	\$ (5.9)	\$ -
Weighted-average shares outstanding – diluted	57.8	59.3
Diluted EPS – loss on early extinguishment of debt	\$ (0.10)	\$ -
Net debt items (A + B)		
Net debt items	\$ 5.5	\$ -
Income tax expense	<u>(1.4)</u>	<u>-</u>
Net debt items, after tax	\$ 4.1	\$ -
Weighted-average shares outstanding – diluted	57.8	59.3
Diluted EPS – net debt items	\$ 0.07	\$ -

Reconciliation of Non-GAAP Financial Measures

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	1st Quarter	
	2018	2017
Net earnings attributable to Snap-on Incorporated		
As reported	\$ 163.0	\$ 141.6
Net debt items, after tax	(4.1)	-
Tax charge	<u>2.6</u>	<u>-</u>
As adjusted to exclude net debt items and tax charge	\$ 161.5	\$ 141.6
Diluted EPS		
As reported	\$ 2.82	\$ 2.39
Net debt items, after tax	(0.07)	-
Tax charge	<u>0.04</u>	<u>-</u>
As adjusted to exclude net debt items and tax charge	\$ 2.79	\$ 2.39
Effective tax rate		
As reported	26.2 %	30.7 %
Tax charge	<u>-1.2 %</u>	<u>-</u>
As adjusted to exclude net debt items and tax charge	25.0 %	30.7 %