



Quarterly Financial Review

Third Quarter 2018

Cautionary Statement

- These slides should be read in conjunction with comments from the October 18, 2018 conference call. The financial statement information included herein is unaudited.
- Statements made during the October 18, 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 October 18, 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 October 18, 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 – 3rd Quarter

| (\$ in millions, except per share data - unaudited) | 2018 | | 2017 | | Change |
|-----------------------------------------------------|----------|--------|----------|--------|--------|
| | \$ | % | \$ | % | |
| Net sales | \$ 898.1 | | \$ 903.8 | | (0.6)% |
| ➤ Organic sales | 5.4 | | | | 0.6 % |
| ➤ Acquisitions | 1.4 | | | | 0.2 % |
| ➤ Currency translation | (12.5) | | | | (1.4)% |
| Gross profit | \$ 453.9 | 50.5 % | \$ 448.8 | 49.7 % | |
| Operating expenses | 280.8 | 31.2 % | 296.1 | 32.8 % | |
| Operating earnings before financial services | \$ 173.1 | 19.3 % | \$ 152.7 | 16.9 % | 13.4 % |
| Financial services revenue | \$ 82.0 | | \$ 79.0 | | 3.8 % |
| Financial services operating earnings | 59.3 | | 56.0 | | 5.9 % |
| Operating earnings | \$ 232.4 | 23.7 % | \$ 208.7 | 21.2 % | 11.4 % |
| Net earnings | \$ 163.2 | | \$ 133.4 | | 22.3 % |
| Diluted EPS | \$ 2.85 | | \$ 2.29 | | 24.5 % |

- Organic sales up 0.6%; excludes \$1.4 million of acquisition-related sales and \$12.5 million of unfavorable foreign currency translation
- Gross margin of 50.5% improved 80 basis points (bps) primarily as a result of a shift in sales mix, savings from Rapid Continuous Improvement (“RCI”) initiatives and 30 bps of favorable currency effects, partially offset by higher material and other costs
- The operating expense margin of 31.2% improved 160 bps from 32.8% last year, which included 170 bps from the legal charge
- Operating earnings before financial services of \$173.1 million, including \$0.4 million of favorable foreign currency effects, increased \$20.4 million and the operating margin of 19.3% compared to 16.9% last year on a reported basis and 18.6% as adjusted
- Diluted EPS of \$2.85 up 24.5%; excluding \$0.03 per share charge for newly issued guidance associated with U.S. tax legislation in 2018, diluted EPS, as adjusted, of \$2.88 is up 17.6% from 2017 adjusted diluted EPS of \$2.45 which excluded \$0.16 per share for the legal charge

Commercial & Industrial – 3rd Quarter

| (\$ in millions - unaudited) | 2018 | 2017 | Change |
|------------------------------|----------|----------|--------|
| Segment sales | \$ 330.2 | \$ 314.6 | 5.0 % |
| ➤ Organic sales | 20.7 | | 6.7 % |
| ➤ Acquisitions | 1.4 | | 0.5 % |
| ➤ Currency translation | (6.5) | | (2.2)% |
| Gross profit | \$ 130.9 | \$ 126.8 | |
| % of sales | 39.6 % | 40.3 % | |
| Operating expenses | \$ 77.9 | \$ 76.5 | |
| % of sales | 23.5 % | 24.3 % | |
| Operating earnings | \$ 53.0 | \$ 50.3 | 5.4 % |
| % of sales | 16.1 % | 16.0 % | |

- Organic sales up \$20.7 million or 6.7%
 - Primarily due to increased sales of power tools, higher sales in the segment's Asia Pacific operations as well as to customers in critical industries, and slightly higher sales in the segment's European-based hand tools business
 - Excludes \$1.4 million of acquisition-related sales and \$6.5 million of unfavorable foreign currency translation
- Gross margin of 39.6% decreased 70 bps from 2017 primarily due to higher sales volume of lower gross margin products, and higher material and other costs, partially offset by benefits from RCI initiatives and 30 bps of favorable foreign currency effects
- The operating expense margin of 23.5% improved 80 bps from 24.3% last year primarily as a result of sales volume leverage
- Operating earnings of \$53.0 million, including \$0.3 million of unfavorable foreign currency effects, increased \$2.7 million; the operating margin of 16.1%, including 20 bps of favorable foreign currency effects, increased 10 bps from 16.0% last year

Snap-on Tools – 3rd Quarter

| (\$ in millions - unaudited) | 2018 | 2017 | Change |
|------------------------------|----------|----------|--------|
| Segment sales | \$ 389.8 | \$ 392.7 | (0.7)% |
| ➤ Organic sales | 0.3 | | 0.1 % |
| ➤ Currency translation | (3.2) | | (0.8)% |
| Gross profit | \$ 169.8 | \$ 164.2 | |
| % of sales | 43.6 % | 41.8 % | |
| Operating expenses | \$ 110.5 | \$ 107.8 | |
| % of sales | 28.4 % | 27.4 % | |
| Operating earnings | \$ 59.3 | \$ 56.4 | 5.1 % |
| % of sales | 15.2 % | 14.4 % | |

- Organic sales up \$0.3 million, or 0.1%, including an increase in the company's U.S. franchise operations, largely offset by decreased sales in the company's international franchise operations
- Gross margin of 43.6% improved 180 bps primarily due to 50 bps of favorable foreign currency effects, increased sales of higher margin products and benefits from RCI initiatives
- The operating expense margin of 28.4% increased 100 bps primarily due to higher costs and 10 bps of unfavorable foreign currency effects
- Operating earnings of \$59.3 million, including \$1.3 million of favorable foreign currency effects, increased \$2.9 million and the operating margin of 15.2% increased 80 bps from 14.4% last year

Repair Systems & Information – 3rd Quarter

| (\$ in millions - unaudited) | 2018 | 2017 | Change |
|------------------------------|----------|----------|--------|
| Segment sales | \$ 314.4 | \$ 333.5 | (5.7)% |
| ➤ Organic sales | (15.9) | | (4.8)% |
| ➤ Currency translation | (3.2) | | (0.9)% |
| Gross profit | \$ 153.2 | \$ 157.8 | |
| % of sales | 48.7 % | 47.3 % | |
| Operating expenses | \$ 72.5 | \$ 74.0 | |
| % of sales | 23.0 % | 22.2 % | |
| Operating earnings | \$ 80.7 | \$ 83.8 | (3.7)% |
| % of sales | 25.7 % | 25.1 % | |

- Organic sales down \$15.9 million
 - Decreased sales of diagnostic and repair information products to independent repair shop owners and managers, and sales to OEM dealerships; undercar equipment sales were essentially flat
 - Excludes \$3.2 million of unfavorable foreign currency translation
- Gross margin of 48.7% improved 140 bps primarily as a result of a shift in sales that included lower volumes of lower gross margin products and benefits from RCI initiatives
- The operating expense margin of 23.0% increased 80 bps from 22.2% last year primarily due to the effect of lower sales volumes
- Operating earnings of \$80.7 million, including \$0.6 million of unfavorable foreign currency effects, decreased \$3.1 million; the operating margin of 25.7% improved 60 bps from 25.1% last year

Financial Services – 3rd Quarter

| <i>(\$ in millions - unaudited)</i> | 2018 | 2017 | Change |
|-------------------------------------|-------------|-------------|---------------|
| Segment revenue | \$ 82.0 | \$ 79.0 | 3.8 % |
| Operating earnings | \$ 59.3 | \$ 56.0 | 5.9 % |
| | | | |
| Originations | \$ 267.0 | \$ 271.8 | (1.8)% |

- Originations decreased \$4.8 million or 1.8%
- Average yield on finance receivables of 17.7% compared to 17.9% in 2017
- Average yield on contract receivables of 9.2% in both years

Financial Services Portfolio Data

| (\$ in millions - unaudited) | United States | | International | |
|------------------------------|-----------------|------------|-----------------|----------|
| | Extended Credit | Total | Extended Credit | Total |
| Gross finance portfolio | \$ 1,447.5 | \$ 1,798.4 | \$ 189.4 | \$ 267.8 |
| Portfolio net losses (TTM) | \$ 49.5 | \$ 51.1 | \$ 2.5 | \$ 2.9 |
| 60+ Delinquency: | | | | |
| As of 9/30/18 | 1.7 % | 1.4 % | 0.7 % | 0.8 % |
| As of 6/30/18 | 1.4 % | 1.2 % | 0.7 % | 0.7 % |
| 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 % |

- Gross finance portfolio of \$2,066.2 million as of September 29, 2018
 - YTD 2018 portfolio growth of \$64.2 million
 - Q3 portfolio growth of \$35.6 million
- TTM – Trailing twelve months

Cash Flows

| (\$ in millions - unaudited) | 3rd Quarter | | September YTD | |
|--------------------------------------------------|-----------------|------------------|-----------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net cash provided by operating activities | \$ 129.8 | \$ 95.5 | \$ 548.6 | \$ 415.0 |
| ➤ Net earnings | 167.4 | 137.1 | 516.9 | 439.0 |
| ➤ Depreciation and amortization | 23.2 | 23.5 | 71.2 | 69.4 |
| ➤ Changes in deferred income taxes | (2.8) | (13.2) | (6.9) | (10.1) |
| ➤ Settlement of treasury lock | - | - | - | 14.9 |
| ➤ Loss on early extinguishment of debt | - | - | 7.8 | - |
| ➤ Changes in working investment | (42.4) | (63.8) | (50.6) | (111.2) |
| ➤ Changes in accruals and other liabilities | (9.3) | 14.7 | (35.0) | (13.3) |
| ➤ Changes in all other operating activities | (6.3) | (2.8) | 45.2 | 26.3 |
| Net increase in finance receivables | \$ (22.7) | \$ (35.2) | \$ (79.5) | \$ (141.1) |
| Capital expenditures | \$ (29.9) | \$ (22.9) | \$ (68.5) | \$ (57.3) |
| Free cash flow | \$ 77.2 | \$ 37.4 | \$ 400.6 | \$ 216.6 |
| Free cash flow from Operations | \$ 78.1 | \$ 56.9 | \$ 367.2 | \$ 265.2 |
| Free cash flow from Financial Services | \$ (0.9) | \$ (19.5) | \$ 33.4 | \$ (48.6) |
| Increase in cash | \$ 9.9 | \$ 5.1 | \$ 30.2 | \$ 16.5 |

- 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> | September 29, 2018 | December 30, 2017 |
|-----------------------------------------|-------------------------------|------------------------------|
| Trade & Other Accounts Receivable - net | \$ 678.7 | \$ 675.6 |
| Days Sales Outstanding | 65 | 66 |
| Finance Receivables - net | \$ 1,577.3 | \$ 1,544.6 |
| Contract Receivables - net | \$ 443.7 | \$ 419.4 |
| Inventory - net | \$ 690.6 | \$ 638.8 |
| Inventory turns - TTM | 2.8 | 3.2 |
| Cash | \$ 122.2 | \$ 92.0 |
| Total debt | \$ 1,109.3 | \$ 1,186.8 |
| Net debt | \$ 987.1 | \$ 1,094.8 |
| Net debt to capital ratio | 23.8 % | 27.0 % |

- Inventory – net as of September 29, 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

Reconciliation of Non-GAAP Financial Measures

| AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i> | 3rd Quarter | |
|-------------------------------------------------------------------------------------------------------------------------|-------------|---------|
| | 2018 | 2017 |
| Adjustments related to implementation of tax legislation (“tax charge”) | | |
| Tax charge | \$ (1.8) | \$ - |
| Weighted-average shares outstanding – diluted | 57.3 | 58.3 |
| Diluted EPS – tax charge | \$ (0.03) | \$ - |
| Charge related to a judgement in an employment-related litigation matter that is being appealed (“legal charge”) | | |
| Pre-tax legal charge | \$ - | \$ 15.0 |
| Income tax expense | - | (5.7) |
| Legal charge, after tax | \$ - | \$ 9.3 |
| Weighted-average shares outstanding – diluted | 57.3 | 58.3 |
| Diluted EPS – legal charge | \$ - | \$ 0.16 |

Reconciliation of Non-GAAP Financial Measures

| ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i> | 3rd Quarter | |
|------------------------------------------------------------------------------|-------------|-------------|
| | 2018 | 2017 |
| Operating earnings before financial services | | |
| As reported | \$ 173.1 | \$ 152.7 |
| Legal charge | <u>-</u> | <u>15.0</u> |
| As adjusted | \$ 173.1 | \$ 167.7 |
| Operating earnings before financial services as a percentage of sales | | |
| As reported | 19.3 % | 16.9 % |
| As adjusted | 19.3 % | 18.6 % |
| Operating earnings | | |
| As reported | \$ 232.4 | \$ 208.7 |
| Legal charge | <u>-</u> | <u>15.0</u> |
| As adjusted | \$ 232.4 | \$ 223.7 |
| Operating earnings as a percentage of revenue | | |
| As reported | 23.7 % | 21.2 % |
| As adjusted | 23.7 % | 22.8 % |

Reconciliation of Non-GAAP Financial Measures

| ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i> | 3rd Quarter | |
|------------------------------------------------------------------------|-------------|--------------|
| | 2018 | 2017 |
| Net earnings attributable to Snap-on Incorporated | | |
| As reported | \$ 163.2 | \$ 133.4 |
| Tax charge | 1.8 | - |
| Legal charge, after tax | <u>-</u> | <u>9.3</u> |
| As adjusted | \$ 165.0 | \$ 142.7 |
| Diluted EPS | | |
| As reported | \$ 2.85 | \$ 2.29 |
| Tax charge | 0.03 | - |
| Legal charge, after tax | <u>-</u> | <u>0.16</u> |
| As adjusted | \$ 2.88 | \$ 2.45 |
| Effective tax rate | | |
| As reported | 24.0 % | 30.1 % |
| Tax charge | (0.9)% | - |
| Legal charge | <u>-</u> | <u>0.6 %</u> |
| As adjusted | 23.1 % | 30.7 % |