



Quarterly Financial Review

Fourth Quarter 2018

Cautionary Statement

- These slides should be read in conjunction with comments from the February 7, 2019 conference call. The financial statement information included herein is unaudited.
- Statements made during the February 7, 2019 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 7, 2019 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 7, 2019 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)	2018		2017		Change
	\$	%	\$	%	
Net sales	\$ 952.5		\$ 974.6		(2.3)%
➤ Organic sales	(5.4)				(0.6)%
➤ Acquisitions	0.4				0.1 %
➤ Currency translation	(17.1)				(1.8)%
Gross profit	\$ 457.4	48.0 %	\$ 465.6	47.8 %	
Operating expenses	275.3	28.9 %	307.6	31.6 %	
Operating earnings before financial services	\$ 182.1	19.1 %	\$ 158.0	16.2 %	15.3 %
Financial services revenue	\$ 82.7		\$ 79.9		3.5 %
Financial services operating earnings	56.1		54.4		3.1 %
Operating earnings	\$ 238.2	23.0 %	\$ 212.4	20.1 %	12.1 %
Net earnings	\$ 175.0		\$ 129.5		35.1 %
Diluted EPS	\$ 3.09		\$ 2.24		37.9 %

- Organic sales down 0.6%; excludes \$0.4 million of acquisition-related sales and \$17.1 million of unfavorable foreign currency translation
- Gross margin of 48.0% improved 20 basis points (bps) primarily due to savings from Rapid Continuous Improvement (“RCI”) initiatives partially offset by higher material and other costs
- The operating expense margin of 28.9%, including 40 bps of benefit from a \$4.3 million legal settlement, improved 270 bps from 31.6% last year, which included 320 bps from a \$30.9 million legal charge; the improvements related to the legal items were partially offset by 10 bps of unfavorable foreign currency effects and higher costs
- Operating earnings before financial services of \$182.1 million, including the legal settlement and \$4.2 million of unfavorable foreign currency effects, increased \$24.1 million from \$158.0 million last year, which included the legal charge; operating margin of 19.1% compared to 16.2% last year including the legal items in both years
- Diluted EPS of \$3.09 up 37.9%; excluding \$0.06 per share for the legal settlement in 2018, diluted EPS, as adjusted, of \$3.03 is up 12.6% from 2017 adjusted diluted EPS of \$2.69 which excluded \$0.33 per share for the legal charge and \$0.12 of tax charges

Commercial & Industrial – 4th Quarter

(\$ in millions - unaudited)	2018	2017	Change
Segment sales	\$ 343.7	\$ 341.7	0.6 %
➤ Organic sales	11.5		3.5 %
➤ Acquisitions	0.4		0.1 %
➤ Currency translation	(9.9)		(3.0)%
Gross profit	\$ 132.4	\$ 134.2	
% of sales	38.5 %	39.3 %	
Operating expenses	\$ 81.6	\$ 82.9	
% of sales	23.7 %	24.3 %	
Operating earnings	\$ 50.8	\$ 51.3	(1.0)%
% of sales	14.8 %	15.0 %	

- Organic sales up \$11.5 million or 3.5%
 - Primarily due to increased sales in both the segment's Asia Pacific operations and specialty tools business, as well as increased sales in the segment's European-based hand tools business and higher sales to customers in critical industries
 - Excludes \$0.4 million of acquisition-related sales and \$9.9 million of unfavorable foreign currency translation
- Gross margin of 38.5% decreased 80 bps from 2017 primarily due to higher sales volumes of lower gross margin products, and higher material and other costs, partially offset by benefits from RCI initiatives
- The operating expense margin of 23.7% improved 60 bps from 24.3% last year primarily due to benefits of sales volume leverage
- Operating earnings of \$50.8 million, including \$1.5 million of unfavorable foreign currency effects, decreased \$0.5 million; the operating margin of 14.8% compared to 15.0% last year

Snap-on Tools – 4th Quarter

<i>(\$ in millions - unaudited)</i>	2018	2017	Change
Segment sales	\$ 407.4	\$ 409.2	(0.4)%
➤ Organic sales	1.6		0.4 %
➤ Currency translation	(3.4)		(0.8)%
Gross profit	\$ 163.7	\$ 169.3	
% of sales	40.2 %	41.4 %	
Operating expenses	\$ 106.7	\$ 102.0	
% of sales	26.2 %	25.0 %	
Operating earnings	\$ 57.0	\$ 67.3	(15.3)%
% of sales	14.0 %	16.4 %	

- Organic sales up \$1.6 million, or 0.4%, including an increase in the company's U.S. franchise operations, partially offset by a decrease in the segment's international franchise operations
- Gross margin of 40.2% declined 120 bps primarily due to 20 bps of unfavorable foreign currency effects, increased sales of lower margin products and higher material and other costs
- The operating expense margin of 26.2% increased 120 bps primarily due to efforts to provide increased levels of field and technical support for our franchisees
- Operating earnings of \$57.0 million, including \$1.4 million of unfavorable foreign currency effects, decreased \$10.3 million and the operating margin of 14.0% compared to 16.4% last year

Repair Systems & Information – 4th Quarter

(\$ in millions - unaudited)	2018	2017	Change
Segment sales	\$ 339.9	\$ 356.8	(4.7)%
➤ Organic sales	(12.2)		(3.5)%
➤ Currency translation	(4.7)		(1.2)%
Gross profit	\$ 161.3	\$ 162.1	
% of sales	47.5 %	45.4 %	
Operating expenses	\$ 73.9	\$ 71.9	
% of sales	21.8 %	20.1 %	
Operating earnings	\$ 87.4	\$ 90.2	(3.1)%
% of sales	25.7 %	25.3 %	

- Organic sales down \$12.2 million
 - Decrease reflects lower sales to OEM dealerships and reduced sales of undercar equipment
 - Excludes \$4.7 million of unfavorable foreign currency translation
- Gross margin of 47.5% improved 210 bps primarily as a result of a shift in sales that included decreased volumes of lower gross margin products and benefits from RCI initiatives
- The operating expense margin of 21.8% increased 170 bps from 20.1% last year primarily due to the effect of lower sales volumes and higher costs
- Operating earnings of \$87.4 million, including \$1.3 million of unfavorable foreign currency effects, decreased \$2.8 million; the operating margin of 25.7% improved 40 bps from 25.3% last year

Financial Services – 4th Quarter

<i>(\$ in millions - unaudited)</i>	2018	2017	Change
Segment revenue	\$ 82.7	\$ 79.9	3.5 %
Operating earnings	\$ 56.1	\$ 54.4	3.1 %
Originations	\$ 267.1	\$ 265.0	0.8 %

- Originations increased \$2.1 million or 0.8%
- Average yield on finance receivables of 17.7% compared to 17.8% in 2017
- Average yield on contract receivables of 9.2% in both periods

Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,469.6	\$ 1,820.9	\$ 184.7	\$ 262.1
Portfolio net losses (TTM)	\$ 49.5	\$ 51.1	\$ 2.8	\$ 3.3
60+ Delinquency:				
As of 12/31/18	1.8 %	1.5 %	0.8 %	0.8 %
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 %

- Gross finance portfolio of \$2,083.0 million as of December 29, 2018
 - Full year 2018 portfolio growth of \$81.1 million
 - Q4 portfolio growth of \$16.8 million
- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	4th Quarter		Full Year	
	2018	2017	2018	2017
Net cash provided by operating activities	\$ 215.9	\$ 193.5	\$ 764.5	\$ 608.5
➤ Net earnings	179.3	133.2	696.2	572.2
➤ Depreciation and amortization	22.9	23.8	94.1	93.2
➤ Changes in deferred income taxes	20.6	22.4	13.7	12.3
➤ Settlement of treasury lock	-	-	-	14.9
➤ Loss on early extinguishment of debt	-	-	7.8	-
➤ Changes in working investment	(8.2)	(22.5)	(58.8)	(133.7)
➤ Changes in accruals and other liabilities	(31.0)	19.5	(66.0)	6.2
➤ Changes in all other operating activities	32.3	17.1	77.5	43.4
Net increase in finance receivables	\$ (38.4)	\$ (38.2)	\$ (117.9)	\$ (179.3)
Capital expenditures	\$ (22.4)	\$ (24.7)	\$ (90.9)	\$ (82.0)
Free cash flow	\$ 155.1	\$ 130.6	\$ 555.7	\$ 347.2
Free cash flow from Operations	\$ 157.8	\$ 145.3	\$ 525.0	\$ 410.5
Free cash flow from Financial Services	\$ (2.7)	\$ (14.7)	\$ 30.7	\$ (63.3)
Increase (decrease) in cash	\$ 18.7	\$ (2.1)	\$ 48.9	\$ 14.4

- 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>	December 29, 2018	December 30, 2017
Trade & Other Accounts Receivable - net	\$ 692.6	\$ 675.6
Days Sales Outstanding	67	66
Finance Receivables - net	\$ 1,592.9	\$ 1,544.6
Contract Receivables - net	\$ 443.2	\$ 419.4
Inventory - net	\$ 673.8	\$ 638.8
Inventory turns - TTM	2.9	3.2
Cash	\$ 140.9	\$ 92.0
Total debt	\$ 1,132.3	\$ 1,186.8
Net debt	\$ 991.4	\$ 1,094.8
Net debt to capital ratio	24.2 %	27.0 %

- Inventory – net as of December 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>	4th Quarter		Full Year	
	2018	2017	2018	2017
Benefit related to the settlement of a litigation matter (“legal settlement”)				
Pre-tax legal settlement	\$ 4.3	\$ -	\$ 4.3	\$ -
Income tax expense	<u>(1.1)</u>	<u>-</u>	<u>(1.1)</u>	<u>-</u>
Legal settlement, after tax	\$ 3.2	\$ -	\$ 3.2	\$ -
Weighted-average shares outstanding – diluted	56.6	57.9	57.3	58.6
Diluted EPS – legal settlement	\$ 0.06	\$ -	\$ 0.06	\$ -
Charges related to judgments in litigation matters that are or were being appealed (“legal charges”)				
Pre-tax legal charges	\$ -	\$ (30.9)	\$ -	\$ (45.9)
Income tax expense	<u>-</u>	<u>11.8</u>	<u>-</u>	<u>17.5</u>
Legal charges, after tax	\$ -	\$ (19.1)	\$ -	\$ (28.4)
Weighted-average shares outstanding – diluted	56.6	57.9	57.3	58.6
Diluted EPS – legal charges	\$ -	\$ (0.33)	\$ -	\$ (0.48)
Adjustments related to implementation of tax legislation (“tax charges”)				
Tax charges	\$ -	\$ (7.0)	\$ (3.9)	\$ (7.0)
Weighted-average shares outstanding – diluted	56.6	57.9	57.3	58.6
Diluted EPS – tax charges	\$ -	\$ (0.12)	\$ (0.07)	\$ (0.12)

Reconciliation of Non-GAAP Financial Measures

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	4th Quarter		Full Year	
	2018	2017	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>-</u>	<u>-</u>	<u>(3.3)</u>	<u>-</u>
Gain on settlement of treasury lock, after tax	\$ -	\$ -	\$ 10.0	\$ -
Weighted-average shares outstanding – diluted	56.6	57.9	57.3	58.6
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>-</u>	<u>-</u>	<u>1.9</u>	<u>-</u>
Loss on early extinguishment of debt, after tax	\$ -	\$ -	\$ (5.9)	\$ -
Weighted-average shares outstanding – diluted	56.6	57.9	57.3	58.6
Diluted EPS – loss on early extinguishment of debt	\$ -	\$ -	\$ (0.10)	\$ -
Net debt items (A + B)				
Net debt items	\$ -	\$ -	\$ 5.5	\$ -
Income tax expense	<u>-</u>	<u>-</u>	<u>(1.4)</u>	<u>-</u>
Net debt items, after tax	\$ -	\$ -	\$ 4.1	\$ -
Weighted-average shares outstanding – diluted	56.6	57.9	57.3	58.6
Diluted EPS – net debt items	\$ -	\$ -	\$ 0.07	\$ -

Reconciliation of Non-GAAP Financial Measures

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	4th Quarter		Full Year	
	2018	2017	2018	2017
Operating earnings before financial services				
As reported	\$ 182.1	\$ 158.0	\$ 726.0	\$ 664.6
Legal settlement	(4.3)	-	(4.3)	-
Legal charges	-	30.9	-	45.9
As adjusted	\$ 177.8	\$ 188.9	\$ 721.7	\$ 710.5
Operating earnings before financial services as a percentage of sales				
As reported	19.1 %	16.2 %	19.4 %	18.0 %
As adjusted	18.7 %	19.4 %	19.3 %	19.3 %
Operating earnings				
As reported	\$ 238.2	\$ 212.4	\$ 956.1	\$ 882.1
Legal settlement	(4.3)	-	(4.3)	-
Legal charges	-	30.9	-	45.9
As adjusted	\$ 233.9	\$ 243.3	\$ 951.8	\$ 928.0
Operating earnings as a percentage of revenue				
As reported	23.0 %	20.1 %	23.5 %	22.1 %
As adjusted	22.6 %	23.1 %	23.4 %	23.2 %

Reconciliation of Non-GAAP Financial Measures

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	4th Quarter		Full Year	
	2018	2017	2018	2017
Net earnings attributable to Snap-on Incorporated				
As reported	\$ 175.0	\$ 129.5	\$ 679.9	\$ 557.7
Legal settlement, after tax	(3.2)	-	(3.2)	-
Legal charges, after tax	-	19.1	-	28.4
Net debt items, after tax	-	-	(4.1)	-
Tax charges	-	<u>7.0</u>	<u>3.9</u>	<u>7.0</u>
As adjusted	\$ 171.8	\$ 155.6	\$ 676.5	\$ 593.1
Diluted EPS				
As reported	\$ 3.09	\$ 2.24	\$ 11.87	\$ 9.52
Legal settlement, after tax	(0.06)	-	(0.06)	-
Legal charges, after tax	-	0.33	-	0.48
Net debt items, after tax	-	-	(0.07)	-
Tax charges	-	<u>0.12</u>	<u>0.07</u>	<u>0.12</u>
As adjusted	\$ 3.03	\$ 2.69	\$ 11.81	\$ 10.12
Effective tax rate				
As reported	22.0 %	33.0 %	24.0 %	31.1 %
Legal charges	-	1.2 %	-	0.4 %
Tax charges	-	<u>(3.6)%</u>	<u>(0.5)%</u>	<u>(0.9)%</u>
As adjusted	22.0 %	30.6 %	23.5 %	30.6 %