

# Snap-on Incorporated

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## 2024 Second Quarter and Full Year Results

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### **CORPORATE PARTICIPANTS**

**Sara Verbsky** - *Vice President, Investor Relations*

**Nick Pinchuk** - *Chief Executive Officer*

**Aldo Pagliari** - *Chief Financial Officer*

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## **PRESENTATION**

### **Operator**

Good day and welcome to the Snap-on Incorporated 2024 Second Quarter Results Conference Call.

All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "\*" key, followed by "0". After today's remarks, there will be an opportunity to ask questions. To ask a question, you may press "\*", then "1" on your touchtone phone. To withdraw your question, please press "\*", then "2".

Please note that this event is being recorded.

I would now like to turn the conference over to Sara Verbsky, Vice President Investor Relations. Please go ahead.

### **Sara Verbsky**

Thank you, Cole, and good morning, everyone. We appreciate you joining us today as we review Snap-on's second quarter results, which are detailed in our press release issued earlier this morning. We have on the call, Nick Pinchuk, Snap-on's Chief Executive Officer, and Aldo Pagliari, Snap-on's Chief Financial Officer.

Nick will kick-off our call this morning with his perspective on our performance. Aldo will then provide a more detailed review of our financial results. After Nick provides some closing thoughts, we'll take your questions. As usual, we provided slides to supplement our discussion. These slides can be accessed under the Downloads Tab in the webcast viewer, as well as on our website, [snapon.com](http://snapon.com), under the Investors section. These slides will be archived on our website, along with the transcript of today's call.

Any statements made during this call relative to management's expectations, estimates or beliefs or that otherwise discuss management's or the company's outlook, plans or projections are forward-looking statements and actual results may differ, materially, from those made in such statements. Additional information and the factors that could cause our results to differ materially from those in the forward-looking statements are contained in our SEC filings.

Finally, this presentation includes non-GAAP measures financial performance which are not meant to be considered in isolation or as a substitute for their GAAP counterparts. Additional information regarding these measures is included in our earnings release issued today, which can be found on our website.

With that said, I'd now like to turn the call over to Nick Pinchuk. Nick.

### **Nick Pinchuk**

Thanks, Sara. Good morning, everybody. As usual, I'll start with the highlights of our second quarter and I'll provide my perspective on the results, on our markets, and our path ahead. After that, Aldo will give you a detailed review of the financials.

Our second quarter, of course, there were challenges. Uncertainty remained prominent among our technician customers but our Repair Systems & Information, or RS&I Group, with repair shop owners and managers and our Commercial & Industrial, or C&I group, enabling critical tasks

outside the vehicle shop, they both progressed very nicely, taking full advantage of their opportunities and balancing the tech turbulence in Tools.

So, our results in the second quarter are a clear and unmistakable demonstration that Snap-on's principal value creating mechanism, observing work right in the workplace using the insights learned to create products that make critical tasks easier and more efficient, that works across many industries and in many environments. It highlights that our enterprise is not dependent on a particular customer base. We believe it shows that as we move forward, reaching higher, we do so with greater resilience and with expanding possibilities and with an enterprise that's broader and stronger than ever before.

Like most quarters, we did have headwinds, we had opportunities with disparities from group to group and geography to geography. North America remained mixed with significant gains in critical industries. Internationally, our consolidated results were varied but reflected overall positives. Europe showed some signs of recovery among the scattered economic disruptions from region to region and the Asia Pacific markets registered progress, overcoming the delayed recovery in China.

So now, let's talk about the results. Second quarter sales of \$1,179.4 million were slightly down from the \$1,191.3 million of last year. On an organic basis, excluding \$5.7 million in unfavorable foreign currency and \$7.3 million from acquisitions, our sales were lower by 1.1%.

The OpCo, operating income, or OI margin for the full quarter was 23.8%, up 50 basis points. Now with that said, that level included the benefit of a final payment from our recent legal win. Excluding that addition, the OI margin was 22.8%, down from 2023 but still among our very best, surpassed only by the recent--by the record-setting second quarter of last year.

For Financial Services, the OI grew to \$70.2 million from the \$66.9 million recorded in 2023, a number that when combined with our OpCo results, raised the consolidated OI margin to 27.4%, up 60 basis points over the 26.8% of 2023. And EPS, it was \$5.07, which included a benefit from the legal payment of \$0.16. Again, excluding that legal item, EPS was \$4.91, still above last year and representing a new Snap-on level for any quarter. Strength and progress against the wind.

So those are the overall numbers. Now for a view of the market. The second quarter, once again, highlighted that the opportunities in automotive repair, they continue to be favorable, marked by the ever-expanding complexity of design, new and diverse powertrains, more interlocking systems to advance driving autonomy, arrays of drive-by-wire sensors, new body materials and an aging car parc now averaging 12.6 years. The opportunity in vehicle repair exists industry-wide, and they appear to be unwavering.

The vehicle OEMs, the dealerships and the independent shops recognize the positive trend, and they continue to invest in tools and equipment that will expand their capabilities to support the influx of new models and the ever rising complexity of repair. And in the quarter, our RS&I Group expanded our reach into OEM dealership--into OEM dealership programs and strengthened our position in independent garages with repair management software packages and with great new hardware products.

So the possibility with repair shop owners and managers are strong, the outlook looking forward is quite positive and Snap-on is well-positioned to seize the opportunities.

Now let's shift to the technicians. These are the folks who turn the wrenches, make the diagnosis, and execute the repairs. Again, this quarter, I had multiple occasions to meet with the franchisees, the garage owners, and the techs, and it reconfirmed that the shops and the technicians are prospering. The micro data says it's true. Repair hours are up. Tech wages are healthy. The demand for techs is strong and the number of techs are increasing. The number of techs is increasing. It makes sense, new systems, the rising complexity, the aging car parc makes what the techs do more difficult and more valuable.

So the economic trajectory of vehicle repair is quite positive. It's an attractive place to be. But it's also clear that while the techs are busy and have cash, their confidence in the way forward is still poor. Every day there's bad news. Two wars with no end in sight, the border unsettled, the shipping lanes erupted, tit-for-tat with China, lingering inflation, and the election. The election seems to get more unpredictable with every morning news cycle. The hits just keep on coming. Bad news for breakfast. It's almost like the grassroots technicians have a fear of what may happen and paraphrasing the movie Dune, fear is the outlook killer.

The franchisees also confirmed to us that with the general uncertainty, the techs are leaning toward purchases that provide quick paybacks, while making the work easier right away. They're kind of cool on longer-term bigger ticket items. Knowing that, the Tools Group continues to focus on near-term product development, manufacturing changes and selling efforts that match those preferences.

So now let's talk about the critical industries, where Snap-on rolls out of garage, solving tasks of significant consequence. This is where the C&I group operates. And it's our most significant international presence, the area where we're most subject to global headwinds. But the news was still reasonably encouraging. For the sectors, the critical industries kept rising in the period. The military, aviation and education segments led the way.

For geographies, Europe was mixed, several countries in recession, and the ongoing impacts of the Ukraine war. Asia Pacific also remained mixed. China was weak, driven by a delayed financial recovery and Southeast Asia, again, had its difficulties. But both regions for C&I and for the corporation in total, were positive in the quarter, despite the variations.

Now speaking more than--now I'd like to speak more about the critical industries. The demand for customized solutions to drive reliability and productivity keeps rising. And C&I continues to show significant and broader advantage in that arena, and we believe there's more coming.

So that's the markets, vehicle techs, cash-rich but confidence poor, preferring quick payback products, repair shelf owners and managers moving upward to match the car parc, and the critical industries booming outside the garage.

In C&I--so let's cover the groups now. In C&I, sales were \$372 million, representing an organic sales gain of 1.2%, excluding \$7.3 million of acquisition-related sales and \$3.8 million of unfavorable foreign currency. Higher activity with customers based in those critical industries and the gains in Asia--and a gain in Asia that defines the turbulence more than offset declines in our power tool and European-based hand tool operations.

From an earnings perspective, C&I OI of \$62.2 million, improved \$4.1 million, or 7.1% above last year. And the OI margin, it was 16.7%, up 70 basis points, representing a new record for that group. Gangbusters--gangbusters for those guys. And the big driver was our International division.

Continuing its upward trajectory with a double-digit rise and very strong profitability. About 18 months ago, we expanded our capability to make work easier outside the garage by adding another building for industrial custom kitting, serving a range of critical segments, and it's paid off--it's paid off big.

Since then, that business has been on a tear, boffo, cranking out more and more bespoke product bundles, sophisticated solutions like our automated tool control units that have become the standard for a range of industries. Custom kit offerings aimed at specific applications and at making the critical work easier and more reliable. It's driven some nice gains all around the world. And we believe we see many more possibilities in that arena. So we continue to invest in critical industries, expanding capabilities like in our custom tool machine in Kenosha, producing low volume, high reward items for the most essential tasks.

For example, visiting an oil drilling site, we saw these that adding a section of pipe on the rigs requires technicians to move around the circumference, constantly repositioning the turning tool. It's a slow and clumsy and imprecise effort. Our custom team tackled the problem designing both, a new bespoke--a new bespoke wrench--both designing a new bespoke wrench, specifically for the task and enabled by our new Kenosha machine shop configured a special machining process to produce it; and it all worked.

The special oil rig pipe wrench greatly reduced the rework associated with misalignment and substantially decreased the task time, getting the job done more efficiently and more reliably and along the way, expanding the Snap-on reputation in the critical oil and gas sector.

Also in the quarter, we introduced a new line of 14.4-volt micropower drills aimed specifically at diverse applications in aviation and general manufacturing.

Tasks in those sectors vary from inserting wood screws, to drilling accurate holes in airframes, to high volume on production lines. To span the variety, each tool in the new line--and there's a range of them--is set to a different RPM range, enabling the tech to fit the speed to the job, substantially reducing rework or irreversible damages--damage. The drill--it's also designed for two operating stages, the first, slower, allowing the tools to bite into the materials, securing a position for the serious drilling. And the second stage, performing that serious drilling at the predetermined RPM, making a quick and clear cut.

Our new industrial micro drills, 2-stage design, matched to the task, bringing new levels of accuracy, consistency, and reliability to the work. It's a superior tool for the very tasks of those sectors, and the customers have noticed.

C&I in the quarter, launching customized solutions, maintaining its strong momentum in the critical industry, extending out of the garage, and reaching new heights in profitability.

Now for the Tools Group. Sales in the second quarter of \$482 million included an organic decrease of 7.7%. The group's OI margin in the period was 23.8%, down 250 basis points, due to the lower volumes. But gross margins held, down 20 basis points, almost flat. The benefits of new products, manufacturing efficiencies, and rapid continuous improvement, or RCI, is written all over those numbers. And during the quarter, we continue to focus our product development, redirect our plants, and guide our selling programs toward innovative quick payback solutions that drive productivity.

A cornerstone for the pivot is rooted in customer--in our customer connection, standing side-by-side with the technicians, observing the work, witnessing the difficulties of modern and complex repair and using the insights gained to create a tool that makes especially difficult tasks much easier.

In the second quarter, those insights lead the Tools Group to design a new torque adapter for use on Ford E-Series commercial vans. The standard procedure for basic brake repair on that model requires the rear caliber bolts to be torqued at over 160-foot pounds; not so easy. And the task is made doubly difficult because the bolt is obstructed, making it impossible to access the area with standard tooling without removing auxiliary parts, a big time-eater. So we've specifically configured a 21-millimeter, 12.6 inch flat adapter with a half inch hex drive to make the work easier and to specification. The device nestles perfectly between the particular obstructions on the model, engaging the fastener, turning a time-consuming task into one of just seconds and freeing the tech up to tackle the next repair order. It's made in our Elizabethton Tennessee plant, and it brings great value to the techs working on the E-Series, and you know there's a lot of them.

Another example is the struggle observed when--we observed when removing a canister tap that houses the fuel filter on Ford Super-Duty trucks. Access to the 36-millimeter hex structure on top of the cap is impeded by other components. Standard pliers or sockets are out.

Seeing the problem, our team created a special low-profile socket, tapered gradually, to just slide into position under the blocking hoses and then, using a standard ratchet and extension, easily removing the clamp with a tap, complete the repair, a complicated--and complete the repair, a complicated job made much easier. Produced in our Milwaukee plant, it's another quick payback item that makes a substantial difference, and the techs love it.

A final example comes from observing technicians walking to and from the workpiece; back and forth from their work to retrieve standard pliers for basic tasks. A compact design seemed to be the solution. So we expanded our triple joint plier line to develop a small 4.5-inch plier set with three models, a combination, a long nose, and a Flank-Drive slip joint version for versatility. And they were all pocket sized to be always at the ready, pull it out of your pocket and you're ready to go. And all designed to allow immediate access to remove low torque fasteners, to pull fuses, to adjust hoses, or provide some additional gripping leverage for basic repairs or just inspections.

The new units save steps and make work easier in tight spaces, and they're offered in two handle models, a cushion grip addition to reduce hand fatigue and for the first time, our bare metal diamond plate texture that provides a superior grip, even with sweaty or oily hands. Cold forged in the U.S., the new pliers are a game changer. And the rollout was a huge hit, making our million-dollar hit product status just during the initial launch. Well, that's the Tools Group.

Pivoting to technicians' preferences, producing innovative, quick paybacks, making work easier. New tools matched to the task and guided by customer connection, bringing quick value to the techs, and you can see the value play out in the gross margins, almost flat in the downturn.

You can also see, I think, our unwavering support for the franchisees in the operating expense. It was about flat. Even in the turbulence, even in the downturn, even with the lower sales. We'll maintain our training, our programs and our efforts in the field, even in this turbulence. You see, we believe the uncertainty will recede, and we want the network to be strong and fully loaded when that occurs.

Now for RS&I. Group sales of \$458.8 million in the quarter, representing a \$4.3 million, or 1% organic increase that was partially offset by \$1.5 million of unfavorable foreign currency translations.

Those gains reflected higher activity with OEM dealerships attenuated by lower sales in the Diagnostics division. The OI margin, it was an even 25%, rising 60 basis points and among the group's best. The numbers reflect the strength of RS&I products and programs for repair shop owners and managers, as we help them match the evolving challenges of the modern car parc.

Speaking of the product evolutions and our progress with OEM programs, the traditional method of lifting vehicles is becoming more complex with the onset of new hybrid and EV platforms. The batteries require changes in lift points to adjust for the different center of gravity on EVs. And to complicate the matter, each model design presents a different problem. In response, we designed steel floor plates matched to particular models that serve as guides in positioning the vehicle in the exact location that puts the lift arms in the proper place for that vehicle, enabling a safe procedure and an easy lift.

The OEMs and the shops, they enthusiastically received this innovation as another in a long line of the modifications needed to match the evolving car parc. They need to facilitate to match that change, and we're helping them do it.

Another successful RS&I release was the Pro-Cut X1HD on-vehicle brake lathe, specifically for heavy-duty platforms like buses, fire engines, and semi-trucks. The lathe cuts away imperfections and abrasions on a brake's rotor surface--the imperfections and abrasions on a brake's rotor surface that always arise during regular operations.

The result is a fully restored component that supports optimized brake performance without the need of a replacement. The previous choice for heavy-duty brake repair work was to disassemble the brake assembly or--and either order new parts or smooth the rotor on a stand-alone bench lathe. In either case, a laborious process.

The new ProCut design avoids both the time and the effort to lift the heavy components off the vehicle and it eliminates the cost of new parts. We believe it's another game changer. Garage owners have seen the value and we project that the Pro-Cut design will become the industry standard.

Also in RS&I, Car-O-Liner serves the vehicle collision market with a number of heavy-duty items. A good example during the quarter is the release of our low-profile frame bench, innovatively designed for holding the workpiece at an optimal height, making it easier for technicians to interact with the damaged vehicle. The bench is rugged, for heavy collision work, and integrates with our existing pulley solutions that stretch and can torque the chassis back into position. The ability to raise and lower the benches in multiple positions while still engaging with the vehicle, reduces fatigue with the user and makes the process much easier.

The collision space is quite robust, driven by the changing vehicles. And Car-O-Liner has been on--and as such, Car-O-Liner has been on a continuing positive trajectory. And the new bench makes our advantage in that market even stronger.

RS&I, expanding its reach with shop owners and managers, confronting the increased complexity, focusing on developing innovations that simplify the difficult and help shops prosper along the way. The RS&I quarter was quite strong.

Well, those are the second quarter results, Tools Group down, impacted by uncertainty, pivoting to customer preference, launching new products, holding the gross margins and maintaining the network. C&I and RS&I providing the multi-sector power of customer connection and new products, recording strong profitability, balancing the headwinds of technician uncertainty and the overall corporation launching a broad range of products from tapered sockets to industrial power tools to collision benches. Sales about flat, OI margin, 23.8%--22.8%, excluding the legal benefits, one of our highest and EPS \$5.07, \$4.91 excluding the legal item, setting a new high. Performance achieved against the wind. It was an encouraging quarter.

Now, I'll turn the call over to Aldo. Aldo.

### **Aldo Pagliari**

Thanks, Nick. Our consolidated operating results are summarized on Slide 6. Net sales of \$1,179.4 million in the quarter, compared to \$1,191.3 million, last year, reflecting a 1.1% organic sales decline and \$5.7 million of unfavorable foreign currency translation, partially offset by \$7.3 million of acquisition-related sales.

Sales activity was similar to what we experienced in the first quarter. While our franchise van channel revenues continue to be dampened by afflicted technician confidence, our sales of repair shop owners and managers again increased year-over-year.

Encouragingly, activity with customers serving the critical industries remained robust. Consolidated gross margin of 50.6% compared to 50.7% last year, reflecting the lower sales volumes largely offset by savings from the company's RCI initiatives.

Operating expenses as a percentage of net sales of 26.8%, compared to 27.4% last year. In the quarter, as noted in our press release, operating expenses included an \$11.2 million benefit for the final payments received associated with a legal matter.

The 60 basis-point improvement in the operating expense ratio is primarily due to the benefit from the legal payments, partially offset by the effects of lower sales volumes.

Operating earnings before financial services of \$280.3 million in the quarter, including the benefit from the legal payments, compared to \$277 million in 2023. As a percentage of net sales, operating margin before financial services of 23.8%, including a 100 basis-point benefit from the legal payments compared to 23.3% last year.

Financial services revenue of \$100.5 million in the second quarter of 2024 compared to \$93.4 million last year, while operating earnings of \$70.2 million compared to \$66.9 million in 2023.

Consolidated operating earnings of \$350.5 million, which includes a legal benefit, compared to \$343.9 million, last year. As a percentage of revenues, the operating earnings margin of 27.4%, including the legal payments, compared to 26.8% in 2023.

Our second quarter effective income tax rate of 22.6% compared to 22.9% last year. Net earnings of \$271.2 million, or \$5.07 per diluted share, including an \$8.7 million, or \$0.16 per diluted share after tax benefit from the legal payments, compared to \$264 million, or \$4.89 per diluted share in the second quarter of 2023.



Now, let's turn to our segment results for the quarter. Starting with the C&I group on Slide 7. Sales of \$372 million compared to \$364.2 million last year, reflecting a 1.2% organic sales gain and \$7.3 million of acquisition-related sales, partially offset by \$3.8 million of unfavorable foreign currency translation. The organic increase is primarily due to a double-digit gain in sales to customers in critical industries, partially offset by a low single-digit decline in the segment's European-based hand tools business and a double-digit reduction in the power tools operation, the latter mostly associated with lower intersegment sales.

With respect to critical industries, defense-related sales are strong, as was activity in the aviation sector. Gross margin improved 220 basis points to 41.7% in the second quarter from 39.5% in 2023. This was largely due to the increased sales volumes in the higher gross margin critical industry sector, savings from RCI initiatives, and 50 basis points of benefit from acquisitions.

Operating expenses as a percentage of sales rose 150 basis points to 25% in the quarter from 23.5% in 2023, primarily due to investments in personnel and other costs and a 60 basis-point impact from acquisitions. Operating earnings for the C&I segment of \$62.2 million compared to \$58.1 million last year. The operating margin of 16.7% compared to 16% in 2023 and represented a new milestone of achievement for the segment.

Turning now to Slide 8, sales in the Snap-on Tools Group of \$482 million compared to \$523.1 million a year ago, reflecting a 7.7% organic sales decline and \$800,000 of unfavorable foreign currency translation. Analogous with the last quarter, the organic decrease reflects a high single-digit decline in our U.S. business, partially offset by a low single-digit gain in our international operations.

Gross margin of 48.8% in the quarter declined 20 basis points from 49% last year, and that's primarily due to sales--lower sales volumes.

Operating expenses as a percent of sales rose 230 basis points to 25% in the quarter from 22.7% in 2023, largely due to the effects of lower sales volume. Operating earnings for the Snap-on Tools Group of \$114.8 million compared to \$137.7 million last year, the operating margin of 23.8%, compared to 26.3% in 2023.

Turning to the RS&I Group shown on Slide 9, sales of \$454.8 million compared to \$452 million in 2023, reflecting a 1% organic sales increase, partially offset by \$1.5 million of unfavorable foreign currency translation. The organic gain includes a high single-digit increase in activity with OEM dealerships, partially offset by a mid-single-digit decline in sales of diagnostic and repair information products to independent repair shop owners and managers.

Gross margin improved 50 basis points to 45.5% from 45% last year, primarily due to savings from RCI initiatives. Operating expenses as a percentage of sales of 20.5% improve 10 basis points from 20.6% last year. And the operating earnings for the RS&I Group of \$113.6 million, compared to \$110.4 million last year. The operating margin of 25% compared to 24.4% reported last year.

Now turning to Slide 10. Revenue from Financial Services increased \$7.1 million, or 7.6%, to \$100.5 million from \$93.4 million last year, primarily reflecting the growth of the loan portfolio. Financial Services operating earnings of \$70.2 million compared to \$66.9 million in 2023. Financial Services expenses were up \$3.8 million from 2023 levels, including \$3.5 million of higher provisions for credit losses. Sequentially, the provision for credit losses was lower by \$1.3 million.

In the second quarters of 2024 and 2023, respective average yields on finance receivables were 17.7% and 17.6%. In the second quarters of '24 and '23, the average yields on contract receivables were 8.9% and 8.6%, respectively.

Total loan originations of \$308.1 million in the second quarter represented a decrease of \$18.2 million, or 5.6%, and from 2023 levels, primarily reflecting a high single-digit decline in extended credit originations, partially offset by higher originations of contract receivables. Consistent with the sales activity in the Snap-on Tools Group, extended credit originations in the U.S. declined and were only partially offset by growth in originations internationally.

Moving to Slide 11. Our quarter end balance sheet includes approximately \$2.5 billion of gross financing receivables with \$2.2 billion from our U.S. operation. For extended credit or finance receivables, the U.S. 60-day plus delinquency rate of 1.6% is up 30 basis points from the second quarter of 2023 but down 20 basis points sequentially from the 1.8% reported last quarter.

Trailing 12-month net losses for the overall extended credit portfolio of \$58.6 million represented 2.94% of outstandings at quarter-end. Considering the current environment, we believe the delinquency in portfolio performance metrics remain relatively stable and are consistent with pre-COVID era experience.

Now, turning to Slide 12. Cash provided by operating activities of \$301.1 million in the quarter represented 108% of net earnings, compared to \$270.3 million last year. The increase as compared to the second quarter of 2023, largely reflects decreases in working investment and higher net earnings.

Net cash used by investing activities of \$60.2 million primarily reflected net additions to finance receivables of \$41.2 million and capital expenditures of \$23.2 million. Net cash used by financing activities of \$127.9 million included cash dividends of \$98 million and the repurchase of 174,000 shares of common stock for \$47.4 million under our existing share repurchase programs. As of quarter end, we had remaining availability to repurchase up to an additional \$271.1 million of common stock under our existing authorizations.

Turning to Slide 13. Trade and other accounts receivables decreased \$7.8 million from 2023 year-end. Days sales outstanding of 60 days were unchanged from year-end. Inventories decreased \$40.9 million from 2023 year-end. On a trailing 12-month basis, inventory turns of 2.4 compared to 2.3 at year-end 2023.

Our quarter end cash position of \$1,232.7 million compared to \$1,115 million at year-end 2023. In addition to cash and expected cash flow from operations, we have more than \$900 million available under our credit facilities. As of quarter end, there were no amounts outstanding under the credit facility and there were no commercial paper borrowings outstanding.

That concludes my remarks on our second quarter performance. I'll now briefly review a few outlook items for 2024. For the full year, we expect that capital expenditures will be in the range of \$100 million to \$110 million, and we currently anticipate that our full year 2024 effective income tax rate will be in a range of 22% to 23%.

I'll now turn the call back to Nick for his closing thoughts. Nick.

**Nick Pinchuk**

Thanks, Aldo. Well, that's our second quarter. A period of continuing turbulence borne out of the uncertainty in the grassroots, the techs, uncertainty on the near-term environment. Customers, techs that are cash rich and confidence poor. But it was also a period where our value-creating mechanism, observing tasks right in the workplace, connecting with customers and translating the insights in innovation that can make critical tasks easier, where the core of our business model demonstrated that its efficacy stretches well beyond our traditional customer--technician customer base and it does so quite profitably.

It was an interlude in which our Snap-on value creation processes showed its ongoing strength, particularly visible in the Tools Group, where it drove product value and operating efficiency that buttressed gross margins, that stayed close to flat, despite the lower volumes. And you can see that written all across the quarter.

The Tools Group, an uncertainty driven decline in volume, continuing and unreduced support for its franchise network but with profitable quick payback products and RCI keeping gross margins at reasonable levels, offsetting some of the volume impact.

RS&I, seizing the opportunity to help shop owners and managers, matching the rising vehicle repair complexity and doing it very profitably, achieving an OI margin of 25%, one of its best.

C&I rolling out of the garage in critical industries, overcoming the recessions in Europe and the turbulence in Asia to grow in each theater, continuing the upward trajectory of its customized kitting business, driving expansion in critical industries and achieving an OI margin of 16.7%, up 70 basis points, its highest ever. And it all came together for a positive performance for the overall enterprise.

Sales, about flat against the uncertainty. OI margins, 23.8%--22.8%, excluding the legal payment, one of our very strongest, and EPS \$5.07--\$4.91 without the legal payment, the highest for any Snap-on quarter. It was an encouraging period. And we believe that with the strength of our business model, with the opportunities inherent in our broad markets and with the considerable and hard-won experience of our team, Snap-on will remain resilient in the turbulence, making the most of it is its abundant possibilities in our markets and we'll continue to advance making progress through 2024, and well beyond.

Now before I turn the call over to the operator, I'll speak directly to our franchisees and associates. I know a lot of you are listening. The strength Snap-on has demonstrated in the turbulence and the associated advantages we carry into the days ahead have been created by all of you. For the considerable capabilities you bring to bear every hour, you have my admiration. For the significant success you've achieved in the quarter and for many periods before, you have my congratulations. And for the unwavering belief you hold in the future of our team, you have my thanks.

Now, I'll turn the call over to the operator. Operator.

**QUESTION AND ANSWER****Operator**

Thank you, and we will now begin the question-and-answer session. To ask a question, you may press “\*”, then “1” on your touchtone phone. If you are using a speaker phone, please pick up your handset, before pressing the keys. To withdraw your question, please press “\*”, then “2”.

And at this time, we will pause, momentarily, for the first question. And our first question today will come from Luke Junk with Baird. Please go ahead.

**Luke Junk**

Good morning. Thanks for taking the questions. Nick, to start with, just hoping we could get an update on the facility expansion projects that you have going on right now, both kind of progress incrementally, timing and then how things are progressing versus your expectations? And to what extent you can leverage that, to pivot the mix and really focus on those quicker payback items that folks are looking for?

**Nick Pinchuk**

Concerning what the--

**Luke Junk**

Facility expansions, I think both, Milwaukee--yeah.

**Nick Pinchuk**

Okay. It's only expansion, I can talk about that. Look, Algona added some space that's in place. They're starting to use it now. Now the thing is you use it but you figure out how to be more efficient. So just because it's in place and you're in the saddle doesn't mean it's going to work at high efficiency. But that's breaking some bottlenecks out there and allowing us to build things like we're bringing on a new workbench. We're bringing out a 36-inch small Epic toolbox that's smaller than we ever saw before--than we've had before and therefore, it's a lower price situation.

In other words, quicker payback items. So that's working. In Milwaukee, we're expanding 25% and we've got--we've expanded the machining area. Some of the machines are in. We're still delivering others because they were ordered, frankly, to adjust to the pivot. So we've had partial expansion of some of our flexible socket impact line and also some of our bit line. And we--so that'll be sort of developing through the expanding and getting better and bigger, during the quarter.

And as we move out, we'll get more and more efficient. And then we're building probably for the fourth quarter and first quarter, we're building the more capacity into the plating line up there because we expanded it. In Elizabethton, on another hand, that's where we make the wrenches and hot forge them. We've expanded the plating line already there and that's up and operating and we're putting more machines in there to fill another expansion to build more effective wrenches using cold forming to reduce the near net ship and making--raising our capacity for those--for ratchets in that situation. And we're expanding our adjustable wrench capacity down there because it's in demand and we can't build enough of them. So you have to--that will give you some examples, I think.

In terms of Algona, I think Algona increases by about 25%. In Milwaukee increased by 25%, Algona is 30%, and Elizabethton will be 35% at the end. So--and then, so they're all in place. Some of it is working, some isn't. But what it has done is it has broken some of the difficult workarounds we've had in the places. So part of the things you see in gross margin is some of the efficiencies that are coming out of the already partial expansions being completed and up and running.

**Luke Junk**

That's very helpful. Could you maybe comment on tool storage specifically in the quarter, Nick? We saw the benefit, I think, already in the first quarter of you having the capacity in place and flexing it like you just spoke to. Did the growth continue in the second quarter?

**Nick Pinchuk**

The product line--every product line in this quarter was more balanced. Every product line was down some in the quarter. And big ticket, you saw the originations. I think originations were down more, originations, which is a surrogate for big tool--for big ticket sales and longer payback sales was down more than the Tools Group was down in the quarter. So the big ticket items were a smaller percentage of that. Now that was led, Diagnostics was probably the big player in that because Diagnostics was comparing to a launch of the SOLUS+, last--second quarter of last year. So a non-launch quarter, you can have different comparisons with that in this quarter like this with the launch quarter. But generally, tool storage, if you're talking about the efficacy of tool storage, one of the things this is doing is allowing us to sell and pivot to provide people the accessories, the benches, the carts that technicians are more receptive to in this situation. So that will accrue to us.

It's a question of how quickly we can get that burned in to the Algona production process. It's working a little bit now. But in the quarter, technician uncertainty, I think, was a little higher this quarter. So you probably like you might see the conditions are a little more uncertain. And so I think big ticket was down, again.

**Luke Junk**

And then lastly, just given the uncertainty in terms of techs right now, do you meter or change your approach to the SFC all this year just in terms of promotions and positioning and could it be maybe a venue to refine your approach in this more unsettled environment kind of exiting this year into '25?

**Nick Pinchuk**

Yeah, I mean, the thing--the--look, not the overall thing. The overall thing is the SFC is three purposes; maybe four. One is we have a training seminar; we're going to train the heck out of things, things we think need training. Some of those are smaller ticket diagnostic units, some of them are hand tools and so on. So we're working on those things in the SFC. We're going to continue that because we're going to continue to support--like I said, we want to be at full strength and fully loaded when we come out of this difficulty with the Tools Group and our network.

And then we have kind of a tool show which is several football fields and you want to let the people touch the tools, and that's where we'll have some change because we'll be trying to emphasize the quicker payback items which we think that technicians want. For example, one of the warm-up promotions for the SFC was the Super 7, which is filled with hand tools, wrenches and ratchets and hammers and torque units. And it did go pretty well. It did get subscribed almost as a sellout.

So we're going to try to push in that situation. So we'll be trying to emphasize by physical presentation and by verbal urging the idea of quicker payback items, not completely neglecting tool storage or diagnostics in that situation. And then--the other thing about the SFC, you need the SFC, I think, because you don't touch your franchisees that often and we all want to give them a message and reinforce that they have enlisted their economic future with a strong and robust business called Snap-on.

**Luke Junk**

I'll leave it there. Thank you.

**Operator**

And our next question will come from Brett Jordan with Jefferies. Please go ahead.

**Patrick Buckley**

Hey, good morning, guys, this is Patrick Buckley on for Brett. Thanks for taking our questions. On the RS&I, could you talk a bit more on the dispersion between the OEM dealer customers and the independents. Is that independent shop softness similar to what you're seeing in the Tools Group, just more cautious given the backdrop? Or is there something else there?

**Nick Pinchuk**

Well, remember that that's characterization. We are strong in the dealerships because the OEM programs have been strong. The change, the idea--that was the purpose of the lift discussion with the EVs is that really, the OEMs are calibrating up or are raising their game to match the different drivetrains and the more autonomy, and the OEMs are launching programs to do that, and either associated with new models and new capabilities like demonstrated in the lifts.

So you see that, and that is marking. That business grew, again, high single digits in the quarter. So that is buoying, is underpinning that. And also, it's around the--some of the software in that business with our electronic parts catalog.

Now if you pivot, it's a little more complicated situation with the independents because flowing through RS&I is the diagnostics. They have the Diagnostics division because of its dependence on the information basis which are integral to other RS&I products. So diagnostics like big ticket was down in the Tools Group. So that dragged down some of the RS&I volume.

If you look at our--RS&I C&I, both sell to the Tools Group, power tools in C&I diagnostics in RS&I. And if you look at them, they were up, I think the number was 1% organically in RS&I, 1.2% organically in C&I. But if you looked at it externally, excluding sales to the Tools Group, internal sales, C&I was up 3.9% organically. And RS&I was up over 4%.

And so it's a little more complicated description of that. We describe it that way based on the efficacy of the actual reported numbers. So we do see some progress in independent shops, particularly with our direct sales businesses.

You see, one of the things that is happening in RS&I and coming out in RS&I is that when we can get up and sell directly to the customer with our, I think, really strong product line and broad, we do pretty well. We're still doing pretty well. But a part of that business goes through distributors. And when they go through distributors, we're seeing a pull off of that business. We saw it particularly in some of the RS&I businesses. So I don't think it's the independent shops.

I think it's the distributors, themselves, are maybe getting a little white knuckled at this time and maybe taking down some of their inventories, some of those distributors. So you're seeing that over here. It's kind of a complicated--complicated around like I summarized. We're doing pretty well with the dealerships. We're doing well selling to direct independent shops which means they're doing pretty well and they're doing--they're still robust. But the intermediaries are a little bit more reluctant.

**Patrick Buckley**

Got it. That's helpful. And then within the Tools Group, could you talk about how pricing compared to units during the quarter? Or maybe just additional color around how successful these lower payback items are in improving volumes and how that mix is affecting things?

**Nick Pinchuk**

Well, the price per unit is a lot lower. So you've got to sell a lot more wrenches to make up for a tool storage box, that's pretty important. And that can weigh on your volume. But I would offer to you, you need to look no further than gross margin. Gross margin down 20 basis points with a-- what was it, 7.7% organic sales down, gross margin down 20 basis points--how do you think that happened? Well, it happens because the new tools you bring out.

The new wrenches, the new tools we're bringing out, they are selling at good margins. That doesn't mean we're pricing the existing businesses but a lot of these new tools and a lot of them are rolling out. We've got wrenches and ratchets and extensions and adaptors and things that are especially made like the E-Series and the Super Duty trucks we talked about.

People are willing to pay big premiums for that kind of stuff, and it's playing out in the gross margins. Part of the story about the Tools Group is, we held the margins pretty well and we kept spending at lower volumes. We didn't back off of the SG&A supporting the franchisees. So in effect, we could have blunted the volume even more if we didn't want to, if we didn't believe that the sun is coming out again and we want to be at full strength.

So those are the balances. Gross margin is a big--if you look at the gross margin overall the corporation, C&I is up 220 basis points, RS&I up 50 basis points. The overall corporation is 50.6%, only down 10 basis points. So what you're seeing in our financials are, boy, we're still pretty robust. That's why I love the idea of C&I and RS&I buoying up the turbulence of the Tools Group because if you look at the overall business, you say, hey, this business at the gross margin level looks pretty healthy.

**Patrick Buckley**

Great, that's all for us. Thanks, guys.

**Operator**

And our next question will come from Gary Prestopino with Barrington Research. Please go ahead.

**Gary Prestopino**

Hey, good morning, everyone.

**Nick Pinchuk**

Good morning, Gary.

**Gary Prestopino**

Just wanted to address the corporate expenses. Looks like they were down and I would assume that's the impact of the legal settlement, right?

**Nick Pinchuk**

Yes. Except--down, I don't know, like, what, \$18 million or something like that, maybe 18 and change. Okay. This pains me to tell you this, Gary, pains me, dearly, is you got \$11.2 million, I

think, for the legal settlement and you got \$7 million and change for reduced management stock-based compensation and bonuses estimated. So it hurts me to tell you that on this call. But in fact, that's the difference in this quarter.

**Gary Prestopino**

Right. And I could also see the stock comp was down. And I guess what I'm getting at is that looking forward in the back half of the year, should it be some--without the impact of any legal settlement, should it be somewhere between \$20 million and \$25 million a quarter?

**Nick Pinchuk**

More at the top end of that. I would think more of the top end of that, actually. That's what I think.

**Gary Prestopino**

The other question I want to ask you is quite obvious that there's a slowdown here in the buying of diagnostic equipment. Some of it deals with the fact that you just had a great year, last year. But when does it get to the point where the technician or the shop starts falling behind, if ever, if that occurs really with not upgrading their diagnostic product? And my understanding is that with these products, it really speeds up your production of being able to repair cars. So does that start coming into play here as we work deeper into this sluggishness?

**Nick Pinchuk**

Sure. It does. I think--this is the thing. I think you've got two things going on. One, I hate to say the comparison but it is true that we launched a new product last second quarter and you're comparing against that. But you also have the technicians' clear aversion for bigger ticket items at this point. They don't want to--they're less like, you can see it broadly in the originations.

They're gravitating towards other things. I was with franchisees and garage owners in Syracuse and in Atlanta, and I had all the regional guys in here and I was voir diring them for probably longer than they wanted to be questioned, and they all said the same thing. People are starting--they're just worried or there's a fear in the situation of where they're going. So they don't want to get embroiled in paying back over years as much. They're a little more conservative about that.

They're not confident in they're spending. So you see that, but your overarching point is quite true. Eventually, people have to say, people do say, boy, and it's like this. You could--the car nowadays, you used to be able to fix the car by sound. Now you have to look at the--mostly, people have to look at the trouble codes and try to discern what the trouble codes mean and then try to fix it. That's what scanners do. They tell you what the trouble codes are. Those are the simpler and competitive diagnostic units. But ours, which we confirmed in the legal settlement, we have a proprietary database that will take those data points, those data points, those trouble codes and decode them, telling you what's actually wrong with the car. Right now, the previous scanner, you can only scan, you have to figure that out for yourself. Our database will put you right on target.

So eventually, as the cars go up in complexity, people aren't going to be able to--just like they haven't been able to read now, they're not able to read the, even get an idea about the car, even start without knowing what the trouble codes mean. In the future, they're going to have to be able to decode the trouble codes because it's going to get even more complex, and you see that weighing on the situation.

And so, we expect that to all figure out. That will all come out in the next--over the next period. We'll be launching new diagnostics which will have new hardware and our software keeps getting better. Now one of the things we do see, Gary, is supporting your point is people who have



diagnostics really fall in love with them, and so they want to update their software. Our subscriptions are going up. Part of the reason why the Tools Group was able to hold its margins is because it's software content is moving upwards. So people value it but eventually, they're going to want new hardware.

**Gary Prestopino**

Okay, thank you.

**Operator**

Our next question will come from David MacGregor with Longbow Research. Please go ahead.

**David MacGregor**

Yeah, good morning, everyone, and thanks for taking the questions.

**Nick Pinchuk**

Hi, David.

**David MacGregor**

Hey, good morning, Nick. Let me just ask you about sort of the second half and expectations here. I mean, given second quarter negative organic growth in Snap-on Tools, does that suggest second half growth should be negative as well? And I mean, 2Q was not a challenging compare. And so, I guess I'm just wondering how much forward visibility you have, given the truck inventory levels and pre-SFC order growth.

**Nick Pinchuk**

Well. I don't know. I think--I wouldn't have said that Q2 last year, you're right. On a year-over-year basis, if you just look at year-over-year, Q2 last year was down. It wasn't down but it was tepid, let's say. So it wasn't--in that space, it wasn't as strong. But if you look back, if you look sequentially, the movement between the first quarter and the second quarter isn't that much different in the last year versus this year. So it's not so inconsistent. It isn't like, it isn't like that's a big difference.

If you're talking about the second half, boy, there's a lot of things going on. One is that for some time--so it's hard to judge what the second half would be like. You're not going to get me to say that it will be negative in the second half because we have plants, we think provide some overcoming to that.

And for some time now, for several quarters, the sales off the van have been bigger than the sales to the van on a year-over-year basis. Now we saw some of that change towards the end of the quarter. So I don't know where it's going to go. If you want to look at it--so from a--I would say when you look at it from an operational point of view, you think sooner or later, this is going to have to play out more positively.

But then when you look at uncertainty, your guess is as good as mine about how the uncertainty is going to play out. It seems to me as though, like I said in my remarks, the hits just keep on coming. And so does anybody think--if you look at the uncertainty in the world, that it's less uncertainty--or is the same today as it was, say, three months ago? I don't think so.

I don't think so. And so you hear that out of the technicians. I don't know where it's going in the third quarter or the fourth quarter, it's hard to say. But I think there's some positives that would

mitigate towards positivity, the things we're doing, the product we're bringing out the pivots we're making.

But on the other hand, if you look at the macros, it's a black hole. You don't know; it's very opaque. So your guess is good as mine in that situation. All I know is the only thing I can control is to try to do the pivot to try to match what the technicians say and take advantage of every opportunity we have. And the message of this quarter is, is that RS&I and C&I show that the model works in those places and I can make a lot of money and they provide good offsets.

**David MacGregor**

Right. Nick, you--the operating expenses in the second quarter in the Snap-on Tools segment deleveraged. You characterized that mostly as volume-related. I guess, it sounds now like you're about to lean more heavily into training and maybe advertising and promotions. And I'm just wondering how you expect that OpEx to continue deleveraging, in the second half.

**Nick Pinchuk**

I don't know. What happened--my view on the second quarter, you may have a different view of it. My view the second quarter was, we didn't back off. We kept spending the same. We spent a little bit more.

**David MacGregor**

Do you continue doing that in the second half?

**Nick Pinchuk**

We didn't back off because there's more volumes. So I'm not talking that I'm going to sally forth with a lot more expenses, but I'm holding the support. I'm holding a support. We're doing what we do only we're adjusting it to match the current situation. I didn't mean my comments before that we're going to open the flood gates and spend a lot more. I didn't mean that. What I meant is I'm holding because I thought we were doing a pretty good job of supporting before. Now I think we held that in the second quarter. We'll probably do that again, but it will be a different array versus the match to the current environment.

**David MacGregor**

Got it. And then can you just talk about cadence within the quarter? You mentioned a moment ago in responding to the question that your trucks were destocking right up until late in the quarter.

**Nick Pinchuk**

Yeah, right.

**David MacGregor**

I was just going to get you to talk about cadence. Please go ahead.

**Nick Pinchuk**

Cadence was pretty, I think, consistent throughout the quarter. I think towards the end of the quarter, we had less destocking events in the last month or so, so that's a positive. However, sometimes, I'll tell you, David, sometimes that happens because it's the last month. So it's hard for me to interpret whether that's a last month phenomenon that happens once in a while, not uncommonly but not all the time. It hasn't happened recently but it did happen. So maybe that's a positive. It's hard for us to predict that out of the one month. But I think if you go back through the quarter, it was about the same levels. The relationship was the same level except for the end.

**David MacGregor**

And your early July experience wouldn't give you a framework for interpreting that?

**Nick Pinchuk**

No. It's too early. And then you got too much stuff floating through July. Somebody asked me, not on the call but asked me well, are people pulling back in early July, waiting for the SFC, are they responding? We did have, like I said just a minute ago, we had the Super 7 program that rolled out and seemed to be pretty well received with this full array of hand tools. We gave them a great shotgun blast, the hand tools for this promotion.

And that seems to get enthusiasm up and it's pretty close to expectation. I think it was the kind of sellout type of things or close to sellout. So that seemed to go okay. But that is weighing evidence to proclaim where the world is going. It's better than a poke in the eye with a sharp stick, but you're not going to be able to--can't extrapolate to--it's dangerous to extrapolate out of that too much. Now I hope it is. The flood gates are going to open and everything is going to go well. Happy days are here again.

**David MacGregor**

Last question for me. Last question for me, if I could. Just on credit. I mean what are you seeing increase in RA transfers? And what would originations look like without the RA transfers and credit penetration--

**Aldo Pagliari**

--The mix of activities is pretty much similar to last quarter. So no, they have not pivoted to RA transfers as a method of funding activity on demand or anything like that.

**David MacGregor**

Great, thanks very much, gentlemen.

**Nick Pinchuk**

Sure.

**Operator**

And our next question will come from Scott Stember with Roth MKM. Please go ahead.

**Scott Stember**

Good morning, guys.

**Nick Pinchuk**

Good morning, Scott.

**Scott Stember**

Nick, is there a way of trying to see how much of the Tools sales decline is really just based on the fact that you still don't have the available capacity to make product? Just trying to frame that out. And if you can't do that, maybe just give us an idea of when would you expect to have all of the capacity and all the bottlenecks cleared up to make sure that you're at least making what they need?

**Nick Pinchuk**

You're thinking towards the--if everything is in place, it gets better every day, Scott, you know what I mean? We get better every day in that situation. Because some of the capacity is in there

and some of the machines are there. Well, for example, we're half--we're 50% of the expansion we wanted in Flex stock in Milwaukee. So that's helping us, but it's not enough. And so, you've got adjustable wrenches; not enough. You've got some of the smaller ticket tool storage; not enough.

So we're getting out on those. On the other hand, it's hard for me to say how much really would play out. I mean that would give you--that gives you gradual boosts. So, I do think you saw--as you know, in the quarter, when you're selling small--when you pivot to smaller ticket items, you got to sell a lot of wrenches to make up a tool storage box. So it tends to put a, what I would call, a weight on your overall revenue so I think you saw some of that in the Tools Group this quarter. We're trying to fill up the bucket on that, but it's going to take us a while to do.

Now, third quarter will be better than the second and the fourth quarter will be better, and the first quarter after that will be better. So when the--translating that into revenue and profit numbers, it's hard for me to say, really hard for me to say. So I can't really put a number on it.

### **Scott Stember**

And then, just last question. When you're talking with the shops and just with your franchisees, what are you hearing about how your competitors are faring at least at the shop level? Just trying to sense if there's a share loss or--

### **Nick Pinchuk**

I don't--tell you the truth, competitors--shop guys, or techs, never really mention the competitors to me. So--but I don't know. I'm the CEO, so I'm not so sure they would. I don't know. But they never really--you go into the shop, you'll see--you can see, I don't see any increased presence of the competitors. I will tell you that when I talk to franchisees, or I talk to our regional sales developers, who were all in here for 12 hours in a room with me, they didn't mention the competition, really. I think we would say that the enemies we have are mostly uncertainty and us.

So we're trying to--the speed at which we can pivot helps some of the problem but the uncertainty will still lay over even when we've fully pivoted. So you kind of got that going on. We don't see any incursion in--that doesn't mean we don't look at competitive product with a fine-tooth comb and try to figure out, well, do they have something we don't have? Can people say it's better? What is their pricing, how do they deliver? How do they support? What kinds of things can it do for the customer? We do that all the time. But I don't think that's part of our problem. It doesn't appear to be. Usually, the competitors are selling to a different customer base, actually.

### **Scott Stember**

Got you. Thanks, again.

### **Operator**

And our next question will come from Christopher Glynn with Oppenheimer. Please go ahead.

### **Christopher Glynn**

Hey, thanks. Was just first curious about net cash position now, the remaining repurchase authorization is a small proportion of your liquidity. So, your kind of balance sheet position is in a different spot than I've seen in past years. I'm wondering how you think about that.

### **Nick Pinchuk**

I'm thinking about it. But look, I think you have to reassess how we're going forward. I mean, the thing is we--I think you know our view of cash usage going forward, capital usage. And the first

idea is to make sure our business is fully funded. Secondly is we look at the dividend which--the dividend is coming up and we have paid a dividend every quarter since 1939, and we have never reduced it.

So we assess that in a sense of perpetuity; that's our guiding principle. But we have increased the dividend, I think now, every quarter for almost 13 years. If we increase it again, it will be the 14th. I'm not giving you any inside information about whether we're going to increase or go flat or anything but we'll be looking at that pretty carefully.

Then we have acquisitions which we're constantly looking at--and you've heard this story before that we have this landscape. In fact, we have guys out, as we speak, looking at other acquisitions. And I don't know if they'll play out or not because we're careful with our money. And then we have stock buyback which you already pointed out, as an authorization now that's a little bit less than it was before. And so we'll have to assess that as we go forward. That's how I'm thinking of it, really.

### **Christopher Glynn**

Okay. And my follow-up, just back to SOT, curious if there's any interesting geographic dispersion. We've got a big country here, lots of regions, different economies to a degree, on the incremental weakening, you seen any kind of dispersion in regions?

### **Nick Pinchuk**

Well, I can tell you this. In the last six months, I've met with franchisees and customers in almost like in the Midwest, in the East, just recently in Syracuse, in Atlanta and the Southwest. And there hasn't been that much difference. That's one of the scratchers. I think there's uncertainty. We saw this before. I do think the grassroots economy is impacted by the uncertainty, broadly, and the techs may be among--maybe the techs are special, because car repairs continues robust.

So there are--a lot of people are confidence poor but the techs are also cash rich in that situation. So that may be that may be part of the issue. I don't see much. And I talked to our regional guys, all nine regions were in here. And yeah there's some differences, and we try to look at those differences and try to figure out maybe should we facilitize more. Are they--are those operations different? We haven't been able to come up with much, actually. So I don't see much difference. Even though you would say there would be, you don't really--you get the same story from techs, everywhere.

### **Christopher Glynn**

Do you think techs did get hit with more regulatory and compliance costs?

### **Nick Pinchuk**

The techs, I don't know. I don't think the techs, the garages maybe. The garages might get more regulatory compliance costs. I don't think the techs so much. They don't mention it so much, I think. I don't hear that but I just--small businesses, I mean the National Association of Manufacturers goes while over regulations, you know. They talk about how much it costs, they say for every small manufacturer, so every small manufacturer has to pay \$35,000 per employee per year in regulation costs. So I think by extension, you would say small businesses, like garages, would have that problem. But I don't think the techs would be burdened with it.

### **Christopher Glynn**

Thanks, Nick.

**Nick Pinchuk**

Sure.

**Operator**

And our next question will come from Tom Hayes with CL King. Please go ahead.

**Tom Hayes**

Thanks guys. Appreciate you fitting in. Just quickly, Nick, maybe any color you could provide on what you're seeing on the positive side on the critical industries. I think you guys called it out as a bit of a bright spot. Is there anything maybe on avionics or military or natural resources that stands out?

**Nick Pinchuk**

You mean booming as it is, is that the. Yes, no, critical industries is up double digits, again. And the military has been consistently strong, a cool thing is we include education in the critical industries because we believe it's critical to influence. And one of the things about it is the education business has been up, nicely. And what that says is the young people are hungry for Snap-on products. And so that's a cool thing for us. We really like that.

So you see that. I don't have anything in terms of, boy, it seemed like aviation was strong this quarter and I would expect to continue--and you have to believe, given the Boeing situation that customers in aviation would be pretty anxious to be able to have accuracy and documentation which we offer in spades in our product for that particular industry, and I think that's driving some of it.

I think the military is obvious. I think the military--every nation is on edge. For example, you have countries in Europe who are looking to double their military, and they're coming to us to help them upgrade to manage their fleet of airplanes. And so, you see some of that. So I think those two types of general trusts are working. But you also see in general, industry was strong. The overall industry is strong because I think the industry in this time is looking for efficiency and repair is efficient the quicker you can do it.

Now the overarching thing that we're noting is that in all these industries, they're looking for customized product that will match their particular problems because the critical industries is replete with those opportunities and tasks where you have to have a particular array of products to match them. That's why the custom kitting is doing so well. We almost have not many competitors in this situation, as a manufacturer.

So that is really working for us. And it seems like whatever--whenever we give the Industrial group runway, they run the daylight and take it. So I think we feel pretty good about that position, that business.

**Tom Hayes**

Appreciate the color. Thank you.

**Nick Pinchuk**

Sure.

**CONCLUSION**

**Operator**

This will conclude our question-and-answer session. I'd like to turn the conference back over to Sara Verbsky for any closing remarks.

**Sara Verbsky**

Thank you all for joining us today. A replay of this call will be available shortly on [sna.on.com](https://sna.on.com). As always, we appreciate your interest in Snap-on. Good day.

**Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines at this time.