Snap-on Incorporated

First Quarter 2025 Conference Call

Thursday, April 17, 2025, 10:00 AM ET

CORPORATE PARTICIPANTS

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Nick Pinchuk--*Chief Executive Officer*

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PRESENTATION

Operator

Good day, and welcome to the Snap-on Incorporated 2025 First Quarter Results Conference Call. All participants will be in a listen-only mode. [Operator Instructions]. After today's presentation, there will be an opportunity to ask questions. [Operator Instructions]. Please note that this event is being recorded.

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

Sara Verbsky

Thank you, Nick, and good morning, everyone. We appreciate you joining us today as we review Snap-on's first 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've 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, 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 of 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 by covering the first quarter and along the way, I'll give you my perspective on our results, our markets, the current environment, our position in the turbulence, how we're engaging the situation and what we think it all means going forward. Then Aldo will move on to a more detailed review of the financials.

Well, these are interesting times. I don't think we've seen an interlude so packed with economic news, government shakeups, tariff bursts, the administration declaring that there's likely to be pain before the Renaissance emerges. I mean, the hits just keep on coming. You can see that uncertainty, though, in a more formal way in the consumer sentiment index. It dropped precipitously, decreasing by 30% just since December. The second lowest rating ever and it particularly impacted the perspective of our grassroots economy like our technician customers. It prompted an avoidance of a longer payback, financed items that outran the Tools Group pivoting to quicker payback products. It created the pause in our upward trajectory that's visible in the quarter's numbers.

Our sales of $1,141.1 million, as reported, represented a 3.5% decline, including $13.9 million in unfavorable foreign currency translation, and organic sales that were down low-single digits, 2.3% on mixed results across the operating groups. Operating income for the quarter was $243.1 million, and that compared to $270.9 million in 2024. OI margin was 21.3%, and that was versus last year's 22.9%, which I remind you included 90 basis points associated with the benefit from the 2024 legal win.

Now notably, the gross margin was 50.7%, up 20 basis points despite the reduced volume. In effect, our OI margin gap reflected the fact that we kept spending on maintaining and strengthening our advantages in product, in brand, and in people, believing as we did in the pandemic that it's best to emerge from turbulence at full strength. And we plan to do just that.

For Financial Services, operating earnings of $70.3 million were up 2.9% from last year, still from last year's $68.3 million. So as reported OI margins in the quarter, including both Financial Services and OpCo, were 25.2% versus the 26.5% recorded last year. Quarterly EPS was $4.51, was down $0.40, which reflected the lower volume and 16% from last year's legal payment and $0.09 in higher pension amortization costs included in the 2025 number.

So now let's talk about the markets. We believe auto repair is quite critical. It remains strong. It continues to be a great place to operate, and the industry metrics agree. Now some people have pointed out that hours worked are down over the last couple of months, and that's true. But there's positive news almost everywhere else. The U.S. car parc on average is 12.6 years old and it's getting old -- it's old now and it's getting older. Household spending on repairs -- on car repairs are up substantially both year-over-year and over the trailing 12 months, and tech wages continue to rise nicely, mid-single digits.

Now having said that, the technicians are among those who are daunted by the current turbulence. Many of them believe we’re going to a more positive place. But they fear the economy will careen off the rails before we get there. Those people of work are part of the broad group driving the drop in consumer sentiment. But even though they're now cash rich, they fear they don't have the financial cushion for an off-the-rails event as such. And as such, they're reluctant to embrace financed products, items like tool storage boxes or top-of-the-line diagnostics. We can see it clearly in the double-digit drop in our credit company originations.

On the other hand, we do believe that the techs though confidence poor, still have an interest in quicker payback items that makes their work easier. They want to make more money. So, our Tools Group will keep pivoting to match the current preferences, working with perseverance, with focus and with confidence to restore that group's advance in closing its sales gap, just like it had established last year, so that's the -- that's the tech sector.

But also in vehicle repair, we have independent shops and OEM dealerships, a proximate but distinct segment from the techs. That's the market of RS&I. The garages, those people there continue to tool up with the latest equipment and diagnostic systems, meeting the needs of their customers, getting them back on the road quickly. They know they have to invest. They know they need innovative new products, hardware and software that improve efficiency, repair efficiency and accuracy. It's an imperative to match the repair complexity of today's sophisticated and technically advanced vehicles. It's table stakes for them in the world of today and the repair shop owners and management will keep moving in that direction.

Another opportunity in the markets -- in the market we've focused on is critical industries. We've termed the market, critical industries, sectors like natural resources, the military, aviation, heavy-duty fleets, where the penalty for failure is high. This is where C&I makes its money, where we're offering custom solutions to reach new operations and make their critical work easier.

Of course, like everything we see period-to-period challenges and variations across geographies and across segments, particularly in this time. And in the first quarter, we did see the usual pause in military business that almost always temporarily accompanies a new sheriff in the defense department, but after a period of dysfunction, however, the war fighters win out and the process gets back on track. But in general, this is a robust arena. And we believe the critical industries are in a place of abundant opportunity, and we believe we're growing stronger in that arena every day, connecting with more customers, using the insight to expand our product line and extend our presence wider and deeper.

So overall, I describe our markets as continuing to offer opportunities. Now, of course, this is an environment where challenges do exist, and there is turbulence. But we are confident that with our advantages in our strengthening product lines that solve critical challenges, in our extraordinary brand that literally defines a professional, and in our very experienced team that’s so enabled, we believe we'll prevail against these challenges.

Now let's briefly address the issue of the day, tariffs. A word that was mentioned last Friday in the Wall Street Journal 254 times. Yesterday, it was down to a mere 163 mentions. Paraphrasing Clausewitz, the world is in a fog of tariffs. A time in which there are so many changing variables that it's difficult to see the way forward. It's an environment that will require urgent action to adjust, to optimize, and to take advantage. And we're confident in that fog. We are, of course, not immune to the challenge of tariffs, but we believe Snap-on is greatly advantaged by our manufacturing strategy to make in the markets where we sell and enable quick adjustment to changing production landscapes that are likely to happen.

We already have the facilities. 36 factories around the world, 15 right here in the U.S.A., many of which we've just expanded. We're positioned well with American products. Our major product lines are already made in America, using American steel and our U.S. plants already produce some version of almost all our product lines. What that means is no extended ramp-ups for relocated products. We already have the resident know-how right here in the U.S.A. And for the select places in America where we use some high tariff components, we have 21 factories outside the U.S. sourcing activities in several locations, and that gives us access to a myriad of alternative sources.

Finally, skilled American workers, one of the barriers to reshoring or reacting to tariffs is skilled American workers are in short supply. The National Association of Manufacturers after all says there are 500,000 openings in U.S. manufacturing right now, but we haven't had difficulty in filling positions. And we believe we can continue to do just that in the future. So, we're in the fog of tariffs, but we are confident. And we believe we can engage and manage the turbulence. We're not immune to the impact, but we believe we are very advantaged.

Now let's move to the segments. In the C&I Group, organic sales decreased by 2.9%, low single digits. C&I's operating income was $53.2 million, below the 2024 levels by $2.2 million, but operating margins were 15.5%, a new first quarter record, up 10 basis points from last year. First quarter, remember is always seasonally kind of weaker for C&I.

In effect, though, if you think about -- this is the key point, gross margin for C&I -- gross margins in C&I in the period were 42.6%, up 180 basis points. Yes, 180 basis points. In effect, we continued OE investments to expand our advantage despite the lower volume, and it was a well-considered offset to gross margin gains, but we believe it was worth it.

We're confident in and committed to extending in critical industries, and we'll keep strengthening our position with C&I as we move forward. Observing the task and using those insights to design products that make work easier all across the critical industries. You can see that in our torque lineup where precision and accuracy are essential. The aviation market, where penalty

for failed -- where the penalty for failure is high, continues to adopt our ControlTech wrenches, or what we call the C-Tech, made in the U.S.A., built in our plant located in the City of Industry, California. It's an expanding presence in aviation, covering a wide range of sizes, each specifically matched to a unique task.

Aerospace makers and fixers love these products for its quality and accuracy, but the big kahuna is its ability to document the force applied to the fastener, wirelessly creating a record – that a sensitive task has been completed just as specified. Now as we recently learned, this is a -- this is pretty important where aircraft are involved. It's one of the reasons why it's so strong a product.

Our Carol Stream facility in Illinois produces an elite lineup of preset torque wrenches and wireless controllers, devices that excel in any production operation where error-proofing, reducing rework, decreasing warranty, and just raising customer satisfaction are vital. Actually, it's pretty much everywhere that the operation is critical. So, our SR controls link with the manufacturer's internal system and they relay engineering protocols directly to the shop floor operator, identifying the right tool, confirming the task is complete and correct, storing the record, all to ensure that the right specs were applied and make sure nothing leaves the line without being fully correct.

And our newly expanded Kenosha facility, another one of our expansions in the United States, the C&I custom tool department makes the very difficult possible. A recent example is the aviation maintenance operation -- an aviation maintenance operation that required a one-of-a-kind abnormally long, 3-inch spline socket to effectively access a very tight area and an exceptionally high-performance wing structure.

Now this is not an easy tool to make or to come by, but our customer product team in Kenosha designed it, tested it, and put it in the customer's hands, all in quick time, making that critical task easier with insight and speed that's only enabled by an operation close to the customer, that only such an operation close to the customer can achieve.

In Murphy, North Carolina, our power tool plant, launched a new combination set that was quite well received. The starter set was our PH3050B Series Air Hammer that really packs a punch, hitting with unwavering force, tackling heavy-duty repairs with power and speed, 2,500 blows per minute, our specialty hardened piston strikes the chisel with enough force of kinetic energy that dislodge even the most stubborn components. But the coolest part of the design is the special Kevlar disk inside the hammer's body, absorbing the shock, dramatically softening the vibration, making it more ergonomic, much easier and more comfortable for the operator, no more jackhammer joints. Now in our new set, that beast hammer is paired with our most popular air chisels, hot forged for durability in our Elizabethton, Tennessee plant and kitted into a foam pallet for easy storage. It's a great package and the techs know it.

So that's C&I, a high in first quarter profit margins, delivering solutions that make work easier -- make work safer and easier and more productive, all enabled by American plants.

Now on to the Tools Group. Organic sales were down 6.8%, with a high single-digit decline in the U.S., partially offset by a low single-digit gain internationally. There's a difference between those markets, you notice. Operating income of $92.4 million compared with the $117.3 million of 2024 with an operating margin of 20%.

The Tools Group continued to see challenges with the technicians' sliding confidence, with greater hesitancy to purchase long payback items like large tool storage boxes or big ticket items in general. The pivot to faster payback items was gaining traction against the worry brought on by the ongoing wars, the border crisis, and a consistent inflation. But we believe the

events of the first quarter drove down confidence at an accelerated rate outrunning the continuing progress of the group's pivot.

Our shift is powered by altered capacities and refocused marketing and promotion campaigns and probably most importantly, by the introduction of innovative new products that make immediate impact with a short-term payback. Products like, made in Snap-on factories like our recently expanded Milwaukee, Wisconsin plant, bringing raw American steel into the back door, forging it into near net shape, applying skill and know how to harden and finish the steel into a final product.

One example is our low profile of flank drive socket, capacity recently expanded, purposely built to navigate tight quarters, enabling the tech to beat the clock, beat the flat rate and expedite the repair by maneuvering around instead of removing obstacles to reach the fastener. It's to get right around. It doesn't have to spend the time removing the obstacle. Once engaged, the patented design grips the bolt on flats and not on the corners, quickly removing the part with ease without debilitating damage to the points of the fastener.

Quick payback items like our -- other quick payback items like our Cynergy 100-Tooth Ratchets made our Elizabethton, Tennessee forge, a design that’s unprecedented for strong and easy operation in tight spaces. It’s now been introduced for our entire range, including our challenging-to-make long handled versions. This quarter, we put the Cynergy together with an array of those low-profile sockets, a combination that offers increasing accessibility, versatility and reliability, a powerful match. The shops love those quick payback sets and they're right in the current preferences for the techs.

And when technicians are bouncing from bay to bay or job to job, they need versatility to make speedy adjustments and remove hardware. So, another quick payback hit product was our lineup -- is our lineup of adjustable wrenches made at our Elkmont, Alabama facility. It's the only American-made adjustable wrench on the market. It's a demonstration of U.S. made flexibility, handling a wide range of different size fasteners with just one tool. And you know kind of the cool part about this is the smaller models are easy to fit in your pocket. So, they're always at the ready as you move from bay to bay.

And for customers needing to secure their tool investments, we released our latest additions to the roll cart lineup, our KHP46. Now this is at the bottom end of the bigger ticket items. It rolls out of our Algona, Iowa facility, and it provides a rugged and secured storage that's only 40 inches wide, making it easy to position right in the work area. But it's equipped with slides providing drawer capacity up to 240 pounds. That means it's a solid chassis that can hold everything necessary for positioning essential tools close to the workplace. In addition, the unit's top compartment can be configured in multiple layouts for managing power tools. And it's got an installed 120-volt outlet and USB port that allow all tech electronic accessories and cordless batteries to be charged and be at the ready. The KHP46, a roll cart that's solid, mobile, with powerful features, a sturdy storage solution with a quicker payback. It matches the needs of -- confidence poor techs that require a storage upgrade now and it is popular.

Well, that's the Tools Group. Armed with U.S. factories, vertically integrated, with the ability to speed designs and flexibility for pivoting to short payback items, determined to prevail in the turbulence.

Now let's move to RS&I. Sales in the first quarter, $475.9 million with an organic gain of 3.7%, advancements in our Diagnostics and Mitchell 1 operations, and strong double-digit improvements in our OEM markets. Operating earnings for RS&I were $122.1 million, up $9.2 million or 8.1% from last year. And the operating margin was 25.7%, representing an all-time high for the first quarter, and that was up 140 basis points better than 2024, reflecting continuing

software expansion and the benefits of RCI. RS&I shined through the turbulence this quarter with a gangbusters performance, and it was enabled by product.

So, let's talk about that product. And we continue to enhance our software coverage, leveraging our proprietary databases with over 500 billion data points and 3 billion repair records, numbers that are unrivalled in the industry and unrivalled in helping techs navigate and diagnose cars faster. It's a lasting advantage. And keeping current with the techs preferences-- keeping consistent or current with the tech now preferences, we celebrated the 20th anniversary of our SOLUS diagnostic unit. This version, the latest version called SOLUS+, built in our San Jose, California production and development center, it's aimed at simplifying the complex and making techs faster at diagnosing the true failures of modern vehicles. It's our fastest handheld with a 2-second boot up, and it's our fastest payback way to powerful vehicle diagnostics, and the techs responded to the campaign, recognizing the power and the speed of the handheld all at a quick payback. The program was actually one of the highlights of the quarter.

Later in the quarter, our Rochester Hills, Michigan facility released our all-new PRO-LINK+ platform, it's a diagnostic -- handheld diagnostic platform focused on heavy-duty commercial trucks, new hardware, a faster processor and an improved touch speed. But the major advancement is integration with our repair database with the repair databases of Mitchell 1 putting repair procedures, vehicle specifications and step-by-step routines for fixing the truck directly into the tech's hand. The new Michigan-based PRO-LINK put Snap-on in the clear lead for multi-model heavy-duty diagnostics.

And Louisville, Kentucky is home to our vehicle lift plant, all types and sizes of lifts. And among the biggest hits is our Challenger CV10AV3, the two-post lift with the unique ability to adjust in width on the fly. It's flexible enough to be installed in any facility, in any bay and powerful enough to handle a wide range of vehicles. Lifting vehicles is essential for accessing suspension systems and for making transmission setups and for EV repairs. And for -- and for a range of shop tasks. With this lift the techs can adjust the suspended height, allowing for the best ergonomic approach to the work and bringing them closer to the workpiece to execute the repair. The Challenger 334B, it's a great product and everybody knows it and it’s from Louisville, Kentucky.

We know this is -- we know this is a turbulent time. But RS&I had a strong quarter, and we believe it's poised for more. And we keep driving to expand that group's position with repair shop owners and managers, offering more new products developed by our value creation process, and we believe it is a winning formula.

Well, that's our first quarter. Corridors of both challenge and advancement. Gross margin, 50.7%, up 20 basis points despite the volume -- the lower volumes. The Tools Group continues to pivot towards shorter payback items, matching techs preferences. C&I penetrating critical industries, recording Q1 operating margin of 15.5%, driven by precision torque and custom solutions. RS&I also recorded an operating margin record in the first quarter, 25.7%, driven by software and unmatched databases.

The environment is interesting. We are on alert, but we are confident, confident in our product, in our brand and in our people, and confident in our ability to confront the fog with clear advantage.

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

Aldo Pagliari

Thanks, Nick. Our consolidated operating results for the first quarter are summarized on Slide 6. Net sales of $1,141.1 million in the quarter compared to $1,182.3 million last year, reflecting a 2.3% organic sales decline and $13.9 million of unfavorable foreign currency translation. Activity in our automotive repair markets was mixed. Gains in sales to OEM and independent shop owners and managers were more than offset by lower sales to technicians through our franchise van channel.

Within the industrial sector, or our C&I group, as compared to last year, declines in sales to the military and in our European-based hand tools business more than offset increases with other critical industry customers. Consolidated gross margin improved 20 basis points to 50.7% from 50.5% last year, primarily reflecting benefits from the company's RCI initiatives.

Operating expenses as a percentage of net sales rose 180 basis points to 29.4% from 27.6% in 2024, mostly due to a non-recurring benefit of $11.3 million from legal payments received last year and the effects of lower sales volumes, partially offset by savings from RCI initiatives. Operating earnings before financial services of $243.1 million in the quarter, compared to $270.9 million in 2024. As a percentage of net sales, operating margin before financial services of 21.3% compared to 22.9% reported last year, which included a benefit of 90 basis points from the legal payments.

Financial services revenue of $102.1 million in the first quarter compared to $99.6 million last year, while operating earnings of $70.3 million compared to $68.3 million in 2024. Consolidated operating earnings of $313.4 million compared to $339.2 million last year. As a percentage of revenues, the operating earnings margin of 25.2%, compared to 26.5% in 2024, again, including the benefit from the legal payments.

Our first quarter effective income tax rate was 22.2% in both the years. Net earnings of $240.5 million compared to $263.5 million in 2024 and net earnings per diluted share of $4.51 in the quarter, compared to $4.91 per diluted share last year. When comparing the quarter's EPS with the first quarter of the prior year, there is a $0.25 of headwinds on a year-over-year basis. In the first quarter of 2025, diluted earnings per share included approximately $0.09 per share of increased year-over-year non-service net periodic pension expenses, primarily from higher amortization of actuarial losses, while the first quarter of 2024 included a $0.16 per share benefit from the legal payments.

Now let's turn to our segment results for the quarter. Starting with the C&I group on Slide 7. Sales of $343.9 million, compared to $359.9 million last year, reflecting a 2.9% organic sales decline and $5.6 million of unfavorable foreign currency translation. The organic reduction includes low single-digit decreases in activity with customers in critical industries and in the European-based hand tools business.

With respect to critical industries, a double-digit reduction in sales to the military, mostly as a result of contract delays, more than offset higher sales of our specialty torque products and in other critical industry sectors. Gross margin improved 180 basis points to 42.6% in the first quarter from 40.8% in 2024. This was primarily due to lower material and other costs, increased volumes in the higher gross margin sectors of critical industries and savings from RCI initiatives.

Operating expenses as a percentage of sales of 27.1% in the quarter compared to 25.4%, largely reflecting the impact of reduced sales volumes. Operating earnings for the C&I segment of $53.2 million, compared to $55.4 million last year, the operating margin improved 10 basis points to 15.5% from 15.4% in 2024.

Turning now to Slide 8. Sales in the Snap-on Tools Group of $462.9 million compared to $500.1 million a year ago, reflecting a 6.8% organic sales decline and $3.6 million of unfavorable foreign currency translation. The organic decrease reflects a high single-digit decline in the U.S. business, partially offset by a low single-digit gain in our international operations. During the quarter, we believe the heightened economic uncertainty continued to weaken confidence and technician sentiment, which impacted their willingness to increase their purchases in the current environment.

Gross margin declined 190 basis points to 46.3% in the quarter from 48.2% last year, mostly due to a year-over-year shift in product mix and from the decreased volumes. Operating expenses as a percentage of sales of 26.3% in the quarter compared to 24.7% in 2024, largely reflecting the lower sales volumes. Operating earnings for the Snap-on Tools Group of $92.4 million, compared to $117.3 million last year. The operating margin of 20% compared to 23.5% in 2024.

Turning to the RS&I Group shown on Slide 9. Sales of $475.9 million compared to $463.8 million in 2024, reflecting a 3.7% organic sales increase partially offset by $4.9 million of unfavorable foreign currency translation. The organic gain includes a double-digit increase in activity with OEM dealerships and a low single-digit gain in sales of diagnostic and repair information products to independent repair shop owners and managers. These gains more than offset a mid-single-digit decline in sales of under car equipment. Gross margin improved 70 basis points to 45.7% from 45% last year, primarily reflecting increased sales of higher gross margin products and benefits from RCI initiatives, partially offset by higher material and other costs.

Operating expenses as a percentage of sales improved 70 basis points to 20% from 20.7% in 2024, largely due to the higher sales volumes and savings from RCI initiatives. Operating earnings for the RS&I Group of $122.1 million compared to $112.9 million last year. The operating margin improved 140 basis points to 25.7% from the 24.3% reported last year.

Now turning to Slide 10. Revenue from Financial Services of $102.1 million reflected an increase of $2.5 million or 2.5% from $99.6 million last year. Financial Services operating earnings of $70.3 million compared to $68.3 million in 2024. Financial Services expenses of $31.8 million compared to $31.3 million last year. Provisions for credit losses of $19.1 million compared to $18.8 million in 2024. As a percentage of the average financial services portfolio, expenses were 1.3% in the first quarters of both years.

In the first quarters of 2025 and 2024, the respective average yield on finance receivables were 17.6% and 17.7%. While the average yields on contract receivables were 9.1% and 9%, respectively. Total loan originations of $268.7 million in the first quarter represented a decrease of $33.0 million or 10.9% from 2024 levels, including an 11.7% decline in extended credit originations. The decrease in extended credit origination mostly reflects lower sales of big-ticket, longer payback items such as tool storage units.

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 2% is up 20 basis points from the first quarter of 2024, but unchanged from the last reported -- the number reported last quarter.

Trailing 12-month net losses for the overall extended credit portfolio of $337.8 million, represented 3.41% of outstanding's at quarter end. While delinquencies and net losses have been trending upward, we believe that these portfolio performance metrics remain relatively balanced considering the current environment.

Now turning to Slide 12. Cash provided by operating activities of $298.5 million in the quarter represented 121% of net earnings and compared to $348.7 million last year. The decline as compared to the first quarter of 2024 largely reflects the lower net earnings and higher year-over-year increases in working investment. Net cash used by investing activities of $32.0 million mostly reflected capital expenditures of $22.9 million and net additions to finance receivables of $8.2 million.

Net cash used by financing activities of $193.6 million included cash dividends of $112.2 million and the repurchase of 260,000 shares of common stock for $87.2 million under our existing share repurchase program. As of quarter end, we had remaining availability to repurchase up to an additional $398.4 million of common stock under our existing authorizations.

Turning to Slide 13. Trade and other accounts receivable increased $37.1 million from 2024 year-end. Days sales outstanding of 66 days compared to 62 days at year-end 2024. Inventories increased $17.8 million from 2024 year-end, including some investment to mitigate supply chain uncertainties. On a trailing 12 month basis, inventory turns of 2.4 were the same as year-end 2024.

Our quarter end cash position of $1,434.9 million compared to $1,360.5 million at the end of 2024. In addition to our existing cash and expected cash flows from operations, we have more than $900 million available under our credit facilities. There were no amounts borrowed or outstanding under the credit facility during the year nor was any commercial paper issued or outstanding in the year.

That concludes my remarks on our first quarter performance. I'll now review a few outlook items for the balance of the year. With respect to corporate costs, we currently believe that expenses for the remainder of 2025 will approximate $27 million per quarter. Additionally, during 2025, as previously shared, we have and expect to incur approximately $6 million pre-tax per quarter of increased non-service pension costs, largely due to higher amortization of actuarial losses.

These noncash costs are recorded below operating earnings as part of other income and expense net on our statement of earnings, and will have about a $0.09 per diluted share quarterly negative effect on EPS for the balance of 2025. We expect that capital expenditures will approximate $100 million, and we currently anticipate that our full year 2025 effective income tax rate will be in a range of 22% to 23%.

Finally, in 2025, our fiscal year will contain 53 weeks of operating results with the additional week occurring at the end of the fourth quarter. This occurs every 5 or 6 years and historically, has not had a significant effect on our full year or fourth quarter total revenues or net earnings.

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

Nick Pinchuk

Thanks, Aldo. Well, that's our quarter, and it's a period marked by particular and acute uncertainty, piling on our already confidence poor technicians, an abrupt development that set us back for the quarter. Overall sales were down low single digits, 2.4% organically. The OI margin was 21.3%, down but still relatively strong, authored by a gross margin of 50.7%, up 20 basis points despite the lower volume, again attenuated by our considered decision to keep investing despite the lower volume.

The Tools Group impacted by the continuous air burst of commercial change, sales and OI margin both afflicted, but C&I and RS&I had bulwark performances. Pillars of -- they were pillars of continuing strength supporting the enterprise.

C&I successful in critical industries with torque and custom solutions. Sales down, but more than explained by the settling in of the new military leadership. And overall, registering an OI margin of 15.5%, up 10 basis points for a first quarter record.

RS&I, another strong performance. Sales up 3.7% organically, with OI margin of 25.7%, up 140 basis points for another first quarter record driven by progress in software, the power of its databases, and the benefits of RCI. Gains across that group.

And of course, the fog of tariffs, a challenge that dominates the commercial landscape and Snap-on is not immune to the effects, but we believe we are advantaged. With newly expanded facilities, 15 factories all across America with deep know-how in America to make our major products. With a global sourcing network, 21 plants all across the globe to be agile and optimizing against whatever tariff array emerges. And with an ability to attract and hold manufacturing associates.

So these are interesting times, action packed with news every day. We are on alert, but we're also confident...confident in our ability to navigate through the turbulence, confident in the opportunities available in our essential markets, and of our position in the fog of tariffs, not immune but advantaged, and most of all, confident in our product that truly does make work easier. Confident in our brand that really does mark the serious professionals and confident in our people, battle tested and committed, that led us through -- that led Snap-on through the great financial recession and the pandemic and came out roaring. And we believe that powerful combination will overcome the turbulence and extend our long-term positive trajectory as it has done so many times in the past.

Now before I turn the call over to the operator, I'll speak to our associates and franchisees in these turbulent days. I'll simply say, for your contributions made every day, for your deep dedication to our team, and for your unshakable confidence in our future, held fast, even in the turbulence. I thank you all.

I now turn the call over to the operator. Operator?

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions]. And your first question today will come from Scott Stember with ROTH MKM. Please go ahead.

Scott Stember

Good morning, and thanks for taking my questions.

Nick Pinchuk

Sure, Scott.

Scott Stember

Nick, you were talking about -- obviously, it sounds like the shops are still relatively strong, but the confidence for the technicians is falling even further than before. So, what's the game plan here? Do we see opportunities to further pivot to lower price items or is there something else that needs to be done?

Nick Pinchuk

Look, I think there's a couple of factors there. One is the pivot worked in the first quarter. It's just -- I don't think we've seen a place where the hits just kept coming so much. I mean when the administration itself says, there will be pain, this is kind of unprecedented. And you can see it in the -- in the consumer sentiment. If you look at those numbers, you see the drop from December is precipitous.

And so, we didn't know about that when we were talking to people. We talked to franchisees all over the country and we heard that in the shops. And really, what it is, is our pivots worked. I talked to some of them that did pretty well. Some of those sets I talked about sold well, some of the products in -- like the cart sold well. What we learned in the period, I think, that's a little bit different is we were pivoting to what you would call standard short quicker payback items. But what we found, if we tailored things at the bottom end of the bigger ticket items, like carts that simulated a box, like the SOLUS, which is at the bottom of the diagnostics, we could make hay with those as well.

Now you can't say you make great hay when you're down 6.8% organically, but that's really what we saw in that situation. So, we're going to keep pivoting because we saw continued traction. It just got overrun. This was an unusual period. I think anybody says this isn’t an unusual period isn't reading The Wall Street Journal and seeing tariffs in 254 times. And so, the thing is that's what we saw.

So, we think the pivot, we learned some things on how to make the pivot better. So, we're going to continue to do that. And we'll learn from those things as we adjust. We're pretty confident that this works. If you don't believe it's America, look at the outside the United States -- outside the United States, less affected by all this turbulence in recent days, all those businesses went okay.

Scott Stember

Got it. And then if you're looking at RS&I and C&I, RS&I in particular, if you were to back out the intercompany declines, which I assume had a pretty big impact there, what would the organic rates, sales rates in RS&I had been?

Nick Pinchuk

It's a little bit better. I think it's -- the organic rate was about 3.7%. And if you backed out the inter companies, you're probably in the 4 range, something like that, maybe a little bit better in that situation. RS&I, the big thing about RS&I is it’s software packed these days. Software was up more than the increase in that. And the cool thing about it, Scott, is if you look at the RS&I divisions, almost all of them are up nicely profitability. So, they're hitting on all cylinders. They really did have a strong quarter. And if you look back, it's been strong quarter after strong quarter after strong quarter.

Now, I realize some people may have thought they’d done better. They might have sold more. You could have argued that maybe a percentage point more, you could have thought that. But 25.7%, up 140 basis points is a pretty good quarter. And it's driven on the strength of their product and the increasing ability to effect the database, AI is part of that. Part of the reason why the databases are getting better and more effective as we can now translate what the -- when you use natural language processing that will translate what the technicians say about the repairs much more efficaciously into a database without as much time. So, we're able to move forward in building that database much more effectively. And that's helped us in this situation. But you can see there that even in Diagnostics, we're making them, we're pretty well positioned

against the tariffs. I'm not saying we're immune. I've said this many times, we're not immune, but we like where we are.

Scott Stember

Got it. And then last question before I go back in the queue. It sounds like the military had a pretty profound impact on critical industries. Was that having anything to do with these DOGE movements? Or is there something that we should expect to see in the quarters ahead on the military?

Nick Pinchuk

I don't know if it had anything to do with the DOGE. I think it more has to do with people trying to -- you've got budget cycles in there. But I will tell you, Scott, we saw it in the Biden administration. Any time the administration changed, there's a new sheriff in town and he won't be pushed around. And so, the thing is they changed -- they start talking about the procurement processes and so on, slows everything down. And then after a while the war fighters kind of say, the 50 caliber bullets when they go overhead, I'd like to have better tools. I don't want to have -- I don't want to have somebody else's tools or some tools that are missing, and everybody caves and it goes back to normal.

So, I think that's really what you're seeing mostly in this situation. I don't think it was associated with DOGE except for maybe, Scott, the psychology of the DOGE sword waving overhead of all government employees. But I don't know how to evaluate that. It was significant. Without -- let's put it this way, without the military downturn, C&I would have been up. That one sector was enough. Everything else was good.

Scott Stember

Awesome. Thank you so much.

Operator

And your next question today will come from David MacGregor with Longbow Research. Please go ahead.

David MacGregor

Good morning, everybody.

Nick Pinchuk

Good morning, David.

David MacGregor

Good morning, Nick. I want to start off by just asking about truck level sales comps. What do you think those look like this quarter in the U.S.?

Nick Pinchuk

Say that you said you mean vans?

David MacGregor

Sales comps off the van?

Nick Pinchuk

They're about the same as we saw to the vans -- about that same level. It was pretty much matched up in this quarter. It isn't always matched up in a quarter, but this particular quarter was kind of dead on, pretty much the same. So, we sold to them about what they sold off the vans. And I don't know what you make of that because it always rolls up and down, as you know, because you followed us for years, it's usually varies from period to period. But this was one of those that matched up.

David MacGregor

But you didn't see any destocking at the truck level?

Nick Pinchuk

No, we didn't see that. Now there could have been some, but I don't think so because the numbers matched. Of course, it's an imperfect situation. And I will tell you that the franchisees start to get daunted when they hear the technicians talk about these things. But the franchisees have a lot more, I would say, cushion to deal with what I said would be an off-the-wall thing -- off the rail thing. I think really what happened is reflected in the customer sentiment and maybe some of the franchisees got some of that thing, but there wasn't much destocking.

David MacGregor

And then you talked about negative mix in the Tools Segment. I'm just trying to reconcile that with the narrative in the week big ticket?

Nick Pinchuk

Diagnostics. The low-end diagnostics sold. Remember, I said that's actually why I put the SOLUS thing in there. One, we learned something about it that we could chip away at the bottom end of the big ticket items and have success, if we position them and program them correctly. And Diagnostics, driven by that low end, the SOLUS, the speedy one and cheaper, was up in the quarter. And any time Diagnostics is up in a quarter, it's a weight on Tools Group's margins because, as you know, they share the margin with the RS&I group.

David MacGregor

Right. So, what would hand tools have look like, Nick, just to isolate that category?

Nick Pinchuk

Hand tools were not up, but they were certainly not down the way Tool Storage was. Tool Storage was a killer. And if you look at the originations in the quarter, you can see it. Coming out of last year, the originations were down 5.8%, where they're down almost double in this quarter, 11.7%. And I think that's says all.

David MacGregor

Okay. How do you respond promotionally to the weaker demand?

Nick Pinchuk

Well, our gross margins in the Tools Group were down some, but some of that has to do with the mix I just talked to you about. And we tend not to change prices that much. I mean, certainly, across the corporation, I would say the 50.7% gross margin is ample evidence that, up 20 basis points when your volume is down like this, is ample evidence that you aren't giving it away in pricing. So, while we do get more active in promotions and we try to make it more

attractive to the customer, we're not out there begging for volume. I don't like that. And so, we don't really do that.

David MacGregor

And Nick, can you talk about the regional kick-offs and just were orders up or down this year and by how much?

Nick Pinchuk

The regional kick-offs were down this year -- and I'm not going to give you how much because it was distorted, David. It's hard for us to evaluate because not so great is that several of them were affected by snow. And so what happened with some of these regions – some of these regions -- I was at one -- I'm telling you some of these regions are pretty big, and snowstorms were bearing down so people left early. And so, we didn't quite have the full participation that we like to have in those situations.

So, it was hard for us to evaluate. It was one of the things that was difficult to evaluate what was happening in the quarter in the beginning because we looked at those, and a lot of them were subject to these kinds of one-off type weather situations. And so, we weren't sure what to make of that. But when you talk to the techs themselves, you can hear their certainly starting to break through, especially as we started to get later in January when you started here after the inauguration, everybody loves the -- our guys love the administration. But I think I said last quarter, it feels like they're on Space Mountain, they're afraid they're going to go off the rails.

David MacGregor

Right. Last question for me is just on manufacturing capacity. And you've obviously done a lot there recently, but I'm also guessing that backlogs are directionally lower now as a consequence of this demand situation. Can you say about how much your backlogs are down? And in what product categories you may be seeing the greatest backlog depletion?

Nick Pinchuk

Tool Storage. Remember, we used to have -- remember about -- what was it, 1 year, 1.5 years ago, we were up to our eyeballs in Tool Storage backlog. Well, we've kind of liquidated that. One, we expanded our Algona facility, and the demand has dropped off for the big ticket boxes. Now we shifted more capacity to lockers and carts and so on, which is I think one of the things we have confidence in going forward. So, we think we're in good shape. I mean we don't have a lot of backlog everywhere. Now certain products are backlogged. Swivel sockets, for example, have a little bit of backlog. But you always have some kinds of things. But generally, the expanded capacity has put us in the right position. That’s one of the reasons why we think we're advantaged for the tariffs. We are available for American production.

David MacGregor

Got it. Thanks very much.

Nick Pinchuk

Okay.

Operator

Your next question today will come from Gary Prestopino with Barrington Research. Please go ahead.

Gary Prestopino

Good morning, everyone.

Nick Pinchuk

Good morning, Gary.

Gary Prestopino

Nick, you mentioned in your opening comments about the fact that hours worked were down...

Nick Pinchuk

Yes.

Gary Prestopino

Technicians as well in the quarter. I mean vehicle repair is generally kind of mission-critical. So, could we assume that that was less elective maintenance kind of services or what do you attribute that to...?

Nick Pinchuk

Gary, I put that in because it's a fact. Hours worked in the rolling 12 was up, low-single digits, but it was up. In the last couple of months, it was down. I want to say 3.3% or something like that? I'm not sure what that means over a couple of months. It does mean, I suppose that some of the garages aren't relatively white hot in the last couple of months. But in winter time, that could mean a lot of things. So, in normal times, lately, those things -- and lately, all the metrics in vehicle repair have been monotonically improving, improving, improving, improving, improving.

And so, I suppose we're kind of sensitized to the idea for a couple of months if there was a drop off, and it got my attention and some other people's attention, but I'm not sure what to make of it as a long-term trend.

You would believe if hours are down, it probably is elective things because you've got to have your car. So, you would think that would be the case. And maybe some people are worried about the off-the-rails scenario. I think one of the things you do see is you see consumer sentiment is down, you see our numbers down. But you see other people say, well, consumer activity is strong, but I think they're dealing with a different FICO zip code. Better credit, the better healed people than maybe the mechanics in the garage or the people of work. And I think that's part of what we see.

Ourselves -- Aldo I think said in his presentation that our own yield dropped from 17.7% to 17.6%, and that really is the people who are originating loans for us are better credit risk than they were before. And so, it just means that the people at the bottom end are too reticent. They're too afflicted by the uncertainty. So maybe you see some of that in the garages too, I don't know. Because I think people got to repair the cars. Sooner or later, you got to go in.

Gary Prestopino

Right. All right. Thank you. And just lastly, could you maybe comment on -- you made a lot of reference to the fact that this whole issue with tariffs coming up could have impacted technician confidence. As you went through your quarter, did things really accelerate on the downside starting in March, one could take away from what you were saying that a lot of the impact in the

Tools Group, in particular, was due to these -- the uncertainty regarding tariffs and that cropped up in March. So maybe give us a...go ahead...

Nick Pinchuk

I would say, Gary, for the guys I talked to, it wasn't only tariffs. You come out and you're saying, okay, we're going to reduce the government. But then they start – this is no political commentary, but they are laying off people seems like willy-nilly. In other words, no one knows what -- and so I think the people of work, even though they truly believe in the trajectory and the goals of the current administration, they're saying, "I don't know how the hell they can change all the government this much and not come out with some screw-ups." And then you start hearing stuff like Greenland, then Panama, and Gaza, you hear that stuff. And so even before they started talking about the tariffs, people are saying, "Geez, I don't know. What's really happening here? I'm worried that the world is going to come off the rails." And the tariffs came over the top. So that's a long way of saying, I don't think things changed so much. I wouldn't say it got worse. I think just in general, this was a continual statements that people said, "I don't know." Our people after all aren't really affected by the tariffs, but they're kind of saying the broad view, I don't know if some administration can do this many things, coming up with new ideas every day and not strike out a few times that might screw us up badly. That's the general view.

Now tariffs. Tariffs is a different thing. It more affects the companies. When I say the fog of tariffs, I'm talking about at the Snap-on level or the company level, as dominating everybody. Everybody want -- by the way, everybody wants to talk about tariffs. Anybody you can talk to wants to talk about tariffs. And so, it is a fog that does affect the technicians, and it affects a lot of different things. We just say, in that fog, as we look forward, we think we're advantaged.

Gary Prestopino

Okay. Thank you.

Nick Pinchuk

Thanks.

Operator

And your next question today will come from Sherif El-Sabbahy with Bank of America. Please go ahead.

Sherif El-Sabbahy

Hi, good morning.

Nick Pinchuk

Good morning, Sherif.

Sherif El-Sabbahy

Just within the Tools Group, are you able to give us a sense of how the demand drop looked throughout the quarter, maybe a bit of cadence if there's…?

Nick Pinchuk

Sherif, it's hard to say. Usually, things are different from week-to-week. This quarter was more uniform. It wasn't -- just like I tried to explain to Gary a minute ago, the -- it started out, we thought and there was really bad weather. So sometimes you can say, "okay, it's bad weather." And that happens often in the beginning of the year because volumes are always light. And so,

you're like that legend, the Princess and the Pea, any little change will affect you. And -- but it kept being weak and when you talk to people, once the administration got in place, they started listening and they're saying, "jeez are guys getting a little overactive, " let's say. And that's when they started to worry about the world.

It's interesting when you talk to the people of work, you know, the technicians and the guys in the factory, they're pretty savvy on this stuff. And I think it's because they don't have that much cushion. And so, they're very sensitive to this. We found this all through a lot of different situations. And in some ways, they're the canary in the coal mine because that's why I've been talking about uncertainty for some time.

Sherif El-Sabbahy

Understood. And we've talked about this dynamic of a shift to quicker payback items for quite a while. Have you seen any shift in the quarter just with regards to the volume. Is that purely just a harder shift towards this trend or are you seeing lower demand for even some of the quicker payback items as well?

Nick Pinchuk

Well, yes. We did see some, but we -- look, I'm just telling you what I think happened from a lot of interviews, windshield surveys and fortified by the metrics of the customers, the consumer sentiment numbers. But if you look at it, we had our -- the things I put out on the -- in the event like in the script, in the discussions, like SOLUS, big hit, Cynergy paired with the low-profile sockets, big hit, the ideas. So those are low payback items that are big hit. The tool -- the sturdy tool storage cart unprecedently holding 240-foot pounds, big hit. So, you had hits in the lower payback items. We had almost no hits in the big payback items.

So, you could see the progress. I just think, like I said, my assessment and I think this has played out as some both quantitative and qualitative support from interviews and from the consumer sentiment numbers is that the effects of the last quarter on the general populace with, topped off by the tariffs, were so pervasive that they outran our progress in those things. So, I think we've made progress in our performance, it is just everything else kind of, the level of everything else kind of dropped. But the stuff we focused on seemed to work. It's just the thing is you can't focus on everything.

Sherif El-Sabbahy

Understood. Thank you for the comment.

Operator

And your next question today will come from Luke Junk with Baird. Please go ahead.

Luke Junk

Good morning and thanks for taking the questions. Nick, I wanted to start in terms of how you can play offense in this environment? And maybe just a finer point thinking mostly about the Tools Group in terms of marketing kind of the balance of engaging franchisees versus engaging with technicians directly. And in terms of investments, the steady pace of investment, just where we might see you look incrementally in terms of allocating dollars this year?

Nick Pinchuk

Well, I think I've said it. I think we're kind of encouraged by the idea that we can chip away at the lower end of what you might call our traditional big ticket items. After you've run the

programs after a while, say, like hand tools and power tools and the other stuff, you kind of got to recycle some. And so now we found a new and pretty successful area at the lower end of that, like SOLUS, which is way cheaper than, say, a ZEUS, or a cart, which is way cheaper. I mean it may be a factor of four cheaper than a big EPIQ unit. And so, you feel as though that's the kind of thing you can focus on. So, we're kind of encouraged in that position.

And then, of course, you double down, you try to make sure that more of your new product introductions are in the area where you can have effect. You don't want to spend a lot of time worrying about, so you shift resources from the top of the line diagnostics from things like -- from things -- some of those are already in the pipeline sometimes or things like EPIQ tool storage boxes or anything that's very expensive and you try to hit that sweet spot and put most of -- most of your development and promotion sources in those areas.

So, we continue to do that. And particularly when we see this, because what happened in the quarter was the program seemed to work. The other stuff didn't. So, the general level dropped because of uncertainty. So, we think we can hit, it's just a matter. That's why I say that stuff overran us. You can think about this. That program is successful, the other products, sort of the underlying base dropped in this quarter beyond where it had been before. And so, what we'll try to do going forward is focus on those in terms of product. Then in terms of -- we've got some ideas around getting to the customers, we're constantly evolving the idea of social media and putting out a little shorter videos, kind of a version of TikTok, only on the Snap-on network. We're trying to do that, that tends to work for us, but we might have done that anyway. I'm not sure, Luke. But I mean that's where we would allocate some resources.

Luke Junk

Got it. You've talked a lot about the technician side in terms of sentiment and just how they're reacting to the environment, what about franchisees and the folks that you're spending time on? I guess I'm thinking especially things like cushion and how they might be thinking about working capital and their businesses, be it inventory, their payables, extended credit, those sorts of things?

Nick Pinchuk

Yes. Look, I think well, it's down, but it's not bad compared to pre-pandemic levels. So -- and they're the same franchisees. So, I don't think we quite have -- even though this is not something we are cheering about or something like that, it's hardly threatening. It's not enterprise threatening for Snap-on. You can look at the cash flows. I mean, the cash flow is down, but we aren't wringing our hands over we're trying to figure out where to get cash. We're not going to step back from anything. And most franchisees are in that situation.

Now there are some in which the idea is like always, down at the bottom end, they may be threatened in this situation. We try to work with them to make sure they can survive this situation. That's another place where we'd spend time to try to make sure that the terminations, the exiting of the franchisees stay right in the same place. And more or less, for government work, it has stayed right in the same place. It's just in this environment, it's a little harder to get people to move because everyone who might be a franchisee is, in fact, somewhat confidence impaired in this situation.

Luke Junk

Got it. Thanks, Nick. Appreciate the comments.

Nick Pinchuk

Sure.

Operator

And your final question today will come from Patrick Buckley with Jefferies. Please go ahead.

Patrick Buckley

Hi, good morning, guys.

Nick Pinchuk

Good morning.

Patrick Buckley

Could you talk a little bit more about recent dealer sentiment, I guess, Liberation Day and now the auto tariffs are more of a Q2 event. So, anything notable to call there to start the quarter?

Nick Pinchuk

What do you mean by dealers? Do you mean automotive dealers?

Patrick Buckley

Yes, and just demand for higher spend?

Nick Pinchuk

Chevy dealers?

Patrick Buckley

No, the auto dealers.

Nick Pinchuk

Yes, like a Chevrolet dealer or BMW dealer?

Patrick Buckley

Yes, exactly.

Nick Pinchuk

Look, I don't think we saw any particular move in that situation. Here's the thing, in our orb, it doesn't really, for sure, make any difference what happens with new cars. Not for sure. In fact, the dealerships make -- you're probably very familiar with this because I think you look at dealers all the time. They make a lot of money on repair and spare parts and used cars. They don't make so much money on new cars. So, if the new cars, if you have tariff problems in the new cars and the auto companies are spitting up blood all over the idea they got tariffs going back and forth, they can and it doesn't make that much difference, I think, for the dealerships.

Now the dealerships moan about not having new cars, but I do remember during the pandemic when they didn't have new cars, their margins were at an all-time high, I think. So, I don't think being in the back shop, it doesn't affect us so much. And so, when I talk to dealerships, they will moan about the worry that, boy, if they can't get cars, they are going to lose some -- and if asymmetrically, they have less cars then say their competition in the area, they may lose the

customer bases that they worked so hard to build up. There's that kind of thing. But I don't think for the near term, that makes much difference for our business with them. I don't think they pull back.

They might, some of them do, but some of them actually think in those environments they ought to invest and repair more because they're not going to get new cars, so they got to get the cash flow out of repair. So sometimes they want to do that in a situation. So, it's unknowable in that situation. I suppose the one caveat to that is, Patrick, is that, to the extent we are commissioned by programs with the OEMs, that could be affected by turbulence with new cars and all this noise with the tariffs. We haven't seen it so far though.

Patrick Buckley

Got it. Helpful. And then I guess looking at the Tools Group, it seems like international sentiment was a bit higher than U.S., could you talk about maybe some of the drivers there and the outlook for the international segment there?

Nick Pinchuk

Sure. The international segment isn't worried about any of this stuff. They're not worried that Donald Trump is talking about Greenland and Gaza, the Panama Canal. They're not worried that -- they're really not worried about -- at the grassroots level, at the grassroots level. I don't think they're worried about the idea that they're going to tariff China, 170% or whatever they're gonna, or 245%. I'm not sure what the number is these days. But I don't think they're so worried about that. And it's kind of proportional to where they sit. So, Canada is probably more worried because the tit-for-tat with Trudeau and so on, I think, impacted them some.

So -- and -- but if you look at Australia, the U.K., they're kind of offshore. And so that I don't think we see much of an effect in those places. And I think that's simply because the whole cash-rich confidence poor phenomena has always been, from the beginning when we started to see it, a U.S. phenomenon.

Patrick Buckley

Great. That's all from us. Thanks, guys.

Nick Pinchuk

Okay.

Operator

This concludes our question-and-answer session. I would 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 snapon.com. As always, we appreciate your interest in Snap-on. Good day.

Conclusion

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.