

Snap-on Incorporated

2025 Fourth Quarter and Full Year Results
Conference Call

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CORPORATE PARTICIPANTS

Sara Verbsky – *Vice President of Investor Relations*

Nick Pinchuk – *Chief Executive Officer*

Aldo Pagliari – *Chief Financial Officer*

PRESENTATION

Operator

Good morning and welcome to the Snap-on Incorporated Fourth Quarter and Full Year 2025 Results Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on a touchtone phone. To withdraw your question, please press star then two. Please note, 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.

Sara Verbsky

Thank you, Drew. And good morning, everyone. We appreciate you joining us today as we review Snap-on's fourth quarter and full year 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 Investor section. The slides will be archived on our website along with a 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 issue 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. Morning, everybody. I'll start by saying these times are something. It seems like every day brings a new twist of considerable significance, fluctuating tariffs with big swings, unprecedented domestic and international events that dominate the news, prolonged government shutdowns, we just avoided another one. The hits just keep on coming.

But as we speak about the period, I believe you'll see that in the middle of it all Snap-on shined through with strength. I'm going to tell you about that as we review the quarter. It's a story of resilient markets, sales progress, profitability and continuing investments that further fortify our advantages in product and brand and people. So as I cover the highlights of the last three months, I'll give you my perspective on the performance, on the markets and on the progress we've made. Then Aldo will move into a more detailed review of the financials.

Our fourth quarter was encouraging. We believe it emphatically serves as testimony that our balanced approach, growth and improvement, is effective enough, our advantages are powerful enough, and our

team is experienced, capable and committed enough to perform even in the most challenging of environments. Here are the numbers. In the fourth quarter, sales were \$1,231.9 million, up 2.8% from last year as reported, including a 1.4% organic increase and \$15.6 million of favorable foreign currency, positive growth against the wind.

And our OpC operating income, OI, for the quarter was \$265.2 million, and was equal to last year's. And the OI margin for the period was 21.5%, 60 basis points short of last year. The impact of unfavorable currency combined with additional investments in brand building and product development.

For Financial Services, OI of \$74.4 million was up \$7.7 million, or 11.5% from last year, due in large part to the 53rd week in the 2025 fiscal calendar being uniquely beneficial to the credit company. And when combined with OpCo, the overall earnings for the corporation of \$339.6 million was up 2.3% versus '24 and the total margin was 25.3%.

Our overall quarterly EPS, it reached \$4.94, up \$0.12 from the \$4.82 recorded last year. It. You know, the quarter shows the same resilience demonstrated over the years, as we've paid dividends every quarter since 1939 without a single interruption or reduction. In fact, in November, it was with clear belief in our future that we raised our dividend by 14%, the 16th straight year of increase. It was another strong and tangible testament to Snap-on's consistency right through a variety of environments. Those are the numbers.

Now to the markets. We believe that automotive repair remains very favorable, and that's validated by the average age of the car parc, now at 12.8 years, and it's continuing to rise, by the growing complexity of new platforms driving more difficult and time-consuming repairs, and by the ongoing climb in household spending on vehicle repair, it's up again. And the vehicle fixers all over are cashing in on the surge. Tech wages are up again, extending a fairly positive trend. Hours worked in the bays are also on the rise. We believe technicians are financially stronger than ever, and their prospects just keep getting better. It's unmistakable. There's a growing demand for capable vehicle repair. Shop owners tell us all the time they need more techs, and we believe this need will continue for several years.

In fact, there's a good piece, I think, a recent article in *The Economist*, "Ditch Text Books and Learn How to Use a Wrench to AI-Proof Your Job." That piece emphasized the considerable need for more technicians and the solid security provided by the profession. And it cites vehicle repair as one of the most AI-proof of jobs. The work is pretty challenging, both physically and mentally. Each repair is different, with variations and conditions that never seem to be the same, and as such a mechanic needs a mastery of a massive repertoire of procedures, must summon the logic to troubleshoot puzzling failures and must be able to navigate intricate mechanical setups with precision. It's a job that's getting more complex every day. The techs need help in keeping up, and Snap-on's very well positioned to do just that.

Now, in a related but different segment, shop owners and managers are also adapting, continuing to invest in the advanced equipment and specialty tools required to attend the latest vehicles. This is where Repair Systems and Information, or the RS&I Group, resides. It's a target rich environment. It's a target rich environment for our capable undercar and collision equipment, and it's a great and growing opportunity for our expanding array of software and data products. It's an arena where Snap-on is well positioned with our extensive line of proprietary and comprehensive databases, billions of data points now leveraged with large language models, language machine learning programs that search the exhaustive and complex information, matching the problem signature with just the right repair procedure in a split second, greatly expediting the vehicle fix, increasing shop productivity and getting the vehicle back on the road faster than ever.

Again, this quarter, I had the opportunity to meet with franchisees from coast to coast. They're a great

barometer. They were all positive about the new, about the now, and very enthusiastic about their futures. Sure, they still encounter the ongoing hesitation that techs have toward long-term payback for purchases. But at the same time, they're energized by the success of the Tools Group execution, pivoting to faster payback items, rolling out a continuous stream of innovative offerings that are making difficult and critical repair work faster and much easier.

Now in the current environment, Tool Storage remains the most impacted category, but we do see demand for smaller boxes and our large range of accessories are starting to roar. In fact, the fourth quarter showed some significant improvement in originations. They were almost flat in the quarter. It's a clear gain that bodes well for our future. It appears that our pivot is working. So despite the challenges, automotive repair remains robust, and we believe we're well positioned to capitalize.

Now let's turn to critical industries, where our Commercial and Industrial, or C&I group operates, with a focus on taking Snap-on out of the garage to places where work is very critical, justifying a Snap-on level product, complex tasks performed in harsh and grueling environments, from oilfields to subsea floors, to cleanrooms for chip manufacturing and to tightly controlled bays for rocket manufacturing. This arena relies on our extensive catalog of products that provide precision, durability, reliability and repeatability, all characteristics required to get the job done where the tasks are essential and critical. We believe we have a decisive advantage in these critical areas, and we keep investing to make it even stronger. And the fourth quarter was no exception.

This is also the market with the largest global footprint for us. And that creates challenges in navigating the international headwinds like government protocols, varying economies and currency fluctuation. During the quarter, Europe saw the continuing impact of the Ukraine war and Asia was marked by the general loss of confidence in the Chinese economy and the impact of the evolving U.S. tariff regime. It changes all the time. More than any group, C&I encounters these obstacles from country to country, and it does cause some adversities across the group. But we're confident we have the strength to overcome the variation and keep progressing, making the most of the abundant opportunities in this critical sector.

So that's an overview of our markets. Resistance against turbulence, filled with opportunities—I should say, resilience and resistance against the turbulence, and it's filled with opportunities. And we're well positioned to leverage the possibilities, progressing down our runways for growth, efforts that are fortified by our Snap-on value creation processes, safety, quality, customer connection, innovation and rapid continuous improvement, or RCI, the core activities that underpin our performance, enabling it to hold fast despite the difficult headwinds of these days.

Now for the operating groups, let's start with C&I. Fourth quarter sales of \$398.1 million for the group were up \$18.9 million, or 5%, with an organic gain of \$2.8 million and \$7.9 million of favorable foreign currency translation. Our Power Tools division led the way with that growth, with double digit gains, moving forward on the market enthusiasm for our new innovative power solutions that make work much easier. And the Specialty Torque business was also up, driven by the ever-growing need for precision instruments. And in the critical industries comeback, our Industrial operations overcame the impact of the prolonged U.S. government shutdown. It kind of cut off things for a while, things were kind of slow for a while. They overcame that, wielding its increasingly powerful custom kitting operations like never before, to come roaring down the stretch, registering a positive volume and catching up. I mean, you should have seen this team, seen them working on catching up. It was a Wowza.

OI for C&I was \$60.6 million, included a benefit of \$4.5 million related to the refinement of our footprint, and it compared with the \$63.5 million registered last year. The OI margin was 15.2% versus the 16.7% in 2024, primarily due to material cost increases and stronger sales in some of the group's lower margin businesses.

As I said, the sales growth was fueled by new, innovative power tools engineered by our team in Murphy, North Carolina and Kenosha, Wisconsin. For example, in the back half of the quarter we launched our new Nano Access cordless lineup. I mean, this baby is groundbreaking, developed from insights gained from customer connections right in the shops at the point of work. The Nano is a compact power tool. And when I say compact, I mean small enough to fit right in the palm of your hand, and it can be carried everywhere in a small pocket to be always on hand when the need arises. It's a big advantage, as techs change positions across the shop or venture out into the yard.

The unit also has an internal ampere hour battery that drives over 600 fasteners. Six hundred fasteners on a single charge. You see from our customer connections, we know that most inspections and general repairs are low torque applications like removing panels, clamps and fasteners under the dash and in crowded engine compartments. For these common tasks, the Nano has the power for rapid removal, the control to avoid stripping the fastener, and has the right size to fit where no other power tool can go. It's a real time saver and a fast payback item, and it's right on target for the environment. The initial release featured two models, one straight and one 90-degree pistol driver, and both units set new records for new power tool rollouts. Pretty strong.

Also in the quarter, our City of Industry factory in California launched our new Control Tech Plus torque wrench. It's a unit that has the high precision needed for critical industries and performs with great reliability in the harsh conditions that are often encountered outside the garage. It's robust, all steel construction. It's durable, perfect for heavy-duty use. And the design includes a large LED display that's visible in bright sunlight or in dark work areas, anywhere an industrial tech plies their trade. And the unit is intrinsically safe, meaning it's certified to work in flammable areas. It's an important feature for critical applications. And the internal rechargeable battery ensures the device is always powered up and ready for work. Our new Control Tech Plus, accurate, durable, easier to use and safe, taking Snap-on out of the garage and helping deliver the C&I quarter.

Well, that's C&I. Sales up, a powerful comeback, wielding our critical custom kit capacity, mighty mite power tools and precision torque, all rising to new levels.

Now on to the Tools Group. Quarterly sales of \$505 million were down from the \$506.6 million of last year, but the OI was \$107.3 million, up from the \$106.9 million last year, and the OI margin was 21.2%, rising 10 basis points. The fluctuating tariffs, the prolonged shutdown, and the constant parade of big-bang actions and ideas coming out of Washington has stoked technician uncertainty and reinforced reluctance toward longer payback items. But the Tools Group's ongoing pivot has authored a series of shorter payback items that are bringing high value and strengthened margins for the shop. And that positive is evidenced by the group's gross margins of 46.1%, a gain of 150 basis points over last year despite the flat volume. Boom shakalaka. This is an eye popper.

And at the same time, even in the turbulence we remain committed toward investing in the van network, maintaining our advantage in product, in brand, and in people. So in the quarter, spending on operating expenses rose 140 basis points, helping to ensure that the group will be at full strength when the uncertainty thaws.

But the Snap-on core, the core of our business here, is our powerful product line, now over 85,000 strong across the corporation, over 40,000 just in the Tools Group. And the period saw a number of great new examples in the Tools Group. During the quarter, our Milwaukee, Wisconsin facility released a new line of impact flex sockets. Customer connection identified a range of tasks where removing components to access the fix was burning a lot of tech time. Armed with that insight, our engineers designed the new 307RIPLMS, a seven-piece impact socket set featuring extra-long, reduced diameter shafts and a low

profile hex head. Its design enables easy access to deeply recessed fasteners, and it provides a clearance around blocking obstructions, all without removing additional parts. It's an ideal tool for speeding up routine tasks like brake caliper removals, catalytic converter replacements and extracting exhaust manifold bolts. Our new long shaft impact socket set is a winner. It increases productivity, creates quick paybacks and the technicians have noticed, making this design another hit product, a \$1 million hit product.

Also, rolling out of the Algona, Iowa plant, a new tool storage configuration, the KTL1021, a 54-inch single bank Master Series roll cab, but with the unique feature that all seven drawers span the full width of the box, and those drawers are equipped with heavy-duty dual ball bearing slides. The unit has the space and the strength to handle additional storage within a compact footprint, 9,300 square inches, to be exact. Now, space and strength define a storage utility, and the new unit has plenty of space for our foam organizing trays that techs love and a load capacity of nearly 3.5 tons. Big. It's an offering with powerful capabilities at a mid-range price point, and it's just the storage product for this environment. And as you might expect, it was a great success. Some of what you see in the originations come from this.

Well, that's the Tools Group. Matching technician preferences, leveraging customer connection, investing in our strengths, all in the turbulence.

Now for RS&I. Sales in the quarter were \$467.8 million, up \$11.2 million compared to 2022 and including our organic sales gain of \$4.8 million, the group's fifth consecutive quarter of growth against the turbulence. Higher volume with vehicle OEMs and dealerships and gains within information databases to independent garages led the way, more than offsetting lower sales in big ticket diagnostic units. RSI operating earnings for the quarter were \$117.7 million, and the operating margin was a strong 25.2%, but it was down 140 basis points from the 26.6% recorded last year. That reduction represents very robust investment in software development and brand building.

Similar to the Tools Group, RS&I gross margins were strong, 46.9%, about equal to last year, despite cost increases. And just like Tools, the group invested to build its advantage in both hardware and software, driving the operating expense 130 basis points over last year, thus the numbers. But we believe the spending will be well worth it and will make our advantages even stronger going forward. You see, growing vehicle complexity paired with an aging car parc makes understanding the different vehicle setups very difficult, especially with the variations of creature comforts and safety equipment found in modern vehicles. And this is where RS&I excels, converting billions of data points within microseconds and delivering it into the hands of the techs, enabling them to diagnose the problem and execute the fix quickly.

And it's already happened. In the quarter the group released the all new MT, the Snap-on MT2600 diagnostic platform, offering a quick payback unit positioned as a powerful entry level device for the automotive diagnostic arena. The new unit is capable of communicating with 50 different OEMs from around the globe on models dating back to 1983. In other words, it handles a wide range of vehicles, and it is fast, with live data graphs, functional tests and a capability to reset service and check engine lights. Plug into a vehicle's diagnostic port, and presto, it's ready to go. No time wasted loading software. It automatically identifies the vehicle VIN specific information.

You know, just because it's the same make and model doesn't mean the vehicle is the same in the repair world. Models are not the same in the repair world. One could have been ordered with options like parking assist and the other with air ride suspension. But there's no need to look it up now, the MT2600 knows the unique differences instantly without any additional input. And it's a real time saver. It's a productivity advancer and it's a pay raiser for entry level techs. The Snap-on MT2600, a powerful feature set and a price aligned to match current technician preferences. And it was a hit with franchisees and with the

customers alike. So that's RS&I.

Trends remain robust, aging car parc, vehicle technology continuing to advance, making repairs complex, abundant opportunities for growth, and Snap-on has the position and the product lineup to take advantage, and we're investing to extend that lead. That's our fourth quarter, performance in the midst of turbulence, C&I sales up, critical industries impeded by the shutdown but roaring back to record a positive, substantial gains with new power tools and precision torque products. The Tools Group about flat, attenuated by tech uncertainty, but growing gross margins, up 150 basis points without a volume boost, continuing investments in products and brand and its people. RSI, the fifth straight quarter of growth gains with OEMs and independent shops, strengthening its proprietary database and its software and the overall business. Sales up 2.8%, as reported, 1.4% organically, and an EPS of \$4.94, up again over last year. Progress and investment in a difficult market. It was an encouraging quarter.

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

Aldo Pagliari

Thanks, Nick. Our consolidated operating results for the fourth quarter are summarized on slide 6. Net sales of \$1,231.9 million in the quarter represented an increase of 2.8% to 2024 levels, reflecting a 1.4% organic sales gain and \$15.6 million of favorable foreign currency translation.

Sales in our Commercial and Industrial sector, or the C&I group, increased year over year, led by strong performances with critical industry customers and robust sales by our power tools operation. In our automotive repair market, sales gains with repair shop owners and managers were somewhat tempered by slightly lower activity through our franchise van channel. Consolidated gross margin of 49.2% compared to 49.7% for the fourth quarter last year. The decline of 50 basis points primarily reflected higher material and other costs as well as higher sales in lower gross margin businesses within the C&I group. These headwinds were partially offset by benefits from the company's RCI initiatives.

And while Snap-on is relatively advantaged in the current tariff environment, generally manufacturing products in the markets where they're sold, our costs can be affected by trade policies. Operating expenses as a percentage of net sales of 27.7%, compared to 27.6% in 2024. Operating earnings before financial services of \$265.2 million in the quarter were unchanged from last year. As a percentage of net sales, operating margin before financial services of 21.5% compared to the 22.1% reported in 2024.

As you may know, Snap-on operates on a fiscal calendar which results in an additional week being added to our fiscal year every five to six years. Accordingly, the 2025 fiscal year contained 53 weeks of operating results with the extra week relative to the prior year occurring in the fourth quarter. While the impact of this additional week was not material to Snap-on's consolidated fourth quarter total revenues and net earnings, our financial services segment did earn an additional full week of interest income from its financing portfolio. At the consolidated level, the net earnings benefit from the additional week of financial services interest income was largely offset by a corresponding additional week of fixed expenses, primarily personnel-related costs. With that said, financial services revenue of \$108.0 million in the fourth quarter, including \$7.4 million of revenue resulting from the extra week of interest income, compared to \$100.5 million last year, while operating earnings of \$74.4 million compared to \$66.7 million in 2024.

Consolidated operating earnings of \$339.6 million compared to \$331.9 million last year. As a percentage of revenues, the operating earnings margin of 25.3% compared to 25.5% in 2024. Our fourth quarter effective income tax rate was 22.3% in 2025 and 22.5% in 2024. Net earnings of \$260.7 million, or \$4.94 per diluted share, compared to \$258.1 million or \$4.82 per diluted share in 2024.

Now, let's turn to our segment results for the quarter, starting with the C&I group on slide 7. Sales of \$398.1 million rose \$18.9 million compared to 2024 levels, reflecting a 2.8% organic sales increase and \$7.9 million of favorable foreign currency translation. The organic gain includes a mid-single digit increase in activity with customers in critical industries, a double digit rise in power tools, and a mid-single digit improvement in specialty torque. These gains were partially offset by lower sales to the United States markets by the Asia Pacific business. Overall, the organic sales gain largely reflects successful new product launches from our power tools operation and continued improving demand from our critical industry customers, including those in the United States and international aviation, heavy-duty and technical education.

Despite delays associated with the government shutdown in October and November, sales into military and defense applications rebounded and were down only slightly for the quarter versus last year, with activity increasing as we exited the fourth quarter. Gross margin of 38.6% compared to 41% in 2024. This decline was primarily due to higher material and other costs, increased sales in lower gross margin businesses and 30 basis points of unfavorable foreign currency effects, partially offset by savings from RCI initiatives.

During the fourth quarter, the C&I group refined its footprint and go-to-market strategy, resulting in a net benefit to operating expenses of \$4.5 million. As detailed on slide 7, these actions included a net gain on the sale of a building that was partially offset by cost to retire certain trademarks and by restructuring charges. As such, operating expenses as a percentage of sales were 23.4% in the quarter, including the net benefit, compared to 24.3% last year. Operating earnings for the C&I group of \$60.6 million, compared to \$63.5 million in 2024 and the operating margin of 15.2% compared to 16.7% last year.

Now, turning to slide 8. Sales in the Snap-on Tools Group of \$505 million compared to \$506.6 million last year, reflecting a seven-tenths of a percent organic sales decline, largely offset by \$1.8 million of favorable foreign currency translation. The organic decrease reflects a low single-digit decline in the United States, partially offset by a high single-digit gain in the segment's international operations.

During the quarter we believe our ongoing pivot to featuring the benefits of shorter payback items continued to mitigate the persistent uncertainty of technician customers in the current environment. Gross margin improved 150 basis points to 46.1% in the quarter from 44.6% last year, mostly due to a year over year shift in product mix, including higher sales of new products and savings from the segment's RCI initiatives. Operating expenses as a percentage of sales of 24.9% compared to 23.5% in 2024, largely reflecting increased brand building and other costs. Operating earnings for the Snap-on Tools Group of \$107.3 million, compared to \$106.9 million in 2024. The operating margin of 21.2% improved 10 basis points from last year.

Turning to the RS&I Group, shown on slide 9. Sales of \$467.8 million compared to \$456.6 million a year ago, reflecting a 1% organic sales increase and \$6.4 million of favorable foreign currency translation. The organic improvement includes low single-digit gains in activity with OEM dealerships and in sales of diagnostic and repair information products to independent repair shop owners and managers. While our undercar equipment sales were flat with last year, the business experienced improving activity in all of our product lines outside of collision repair, which continued to be down year over year. Gross margin for the RS&I Group of 46.9% compared to 47% last year and savings from RCI nearly offset the effects of tariffs and higher material costs. Operating expenses as a percentage of sales of 21.7% compared to 20.4% in 2024, largely reflecting increased activity in higher expense businesses and a rise in other costs. Operating earnings of \$117.7 million compared to \$121.4 million last year. The operating margin of 25.2% compared to 26.6% in 2024.

Now, turning to slide 10. Revenue from Financial Services of \$108 million compared to \$100.5 million

last year. As previously stated, this includes \$7.4 million of higher revenue resulting from a full additional week of interest income due to our 53rd week fiscal year. Financial Services operating earnings of \$74.4 million compared to \$66.7 million in 2024, largely reflecting the additional interest income. Financial services expenses of \$33.6 million compared to \$33.8 million last year. As a percentage of the average financial services portfolio, expenses were 1.3% in the fourth quarters of both 2025 and 2024.

In the fourth quarter, the average yield on finance receivables of 17.6% in 2025 compared to 17.7% in 2024, while the average yield on contract receivables was 9.1% in both years. Total loan originations of \$285.1 million in the fourth quarter were unchanged from last year, and on a year over year basis reflected stable originations of tool storage products.

Moving to slide 11. Our year-end balance sheet includes approximately \$2.5 billion of gross financing receivables, with \$2.2 billion from our U.S. operations. For extended credit or finance receivables, the U.S. 60-day plus delinquency rate of 2.1% is up 10 basis points from the fourth quarter of 2024. Additionally, it is also up 10 basis points from last quarter, reflecting the typical seasonal increase between the third and fourth quarters. Trailing 12-month net losses for the overall extended credit portfolio of \$72.1 million represented 3.67% of outstandings at year-end. 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 \$268.1 million in the quarter decreased \$25.4 million from comparable 2024 levels, primarily reflecting a \$52.7 million increase in net cash paid for income taxes, partially offset by a \$23 million decrease in working investment. Net cash provided by investing activities of \$25.9 million included proceeds from the sale of a building, a net decrease in finance receivables of \$11.2 million, as well as capital expenditures of \$13.5 million. Net cash used by financing activities of \$204.5 million included cash dividends of \$126.7 million and the repurchase of 227,000 shares of common stock for \$80.4 million under our existing share repurchase programs. As of year-end, we had remaining availability to repurchase up to an additional \$260 million of common stock under our existing authorizations.

Turning to slide 13. Trade and other accounts receivables of \$881.4 million represented an increase of \$65.8 million from 2024 at year-end levels, and included \$25.3 million of foreign currency translation, \$19.8 million related to the previously discussed sale of a building, and a higher mix of sales with longer payment terms. Days sales outstanding of 67 days compared to 62 days at year-end 2024. Inventories increased by \$81.8 million from 2024 year-end levels, and that included \$41.4 million of foreign currency translation. On a trailing 12-month basis inventory turns of 2.4 were the same as at last year end.

Our year-end cash position of \$1,624.5 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 facilities during the year, nor was any commercial paper issued or outstanding at the end of the year.

That concludes my remarks on our fourth quarter performance. Now, I have a few outlook items for 2026. With respect to corporate costs, we currently believe that the expenses will approximate \$28 million each quarter. We expect that capital expenditures for the year will approximate \$100 million. And we currently anticipate that our full year 2026 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 the quarter. Sales growth, solid profitability and expanded investments in fortifying our inherent advantages, all in a time of turbulence, tariffs, shutdowns and conflicts,

considerable uncertainty. C&I sales were up 5%, as reported, 2.8% organically, a late comeback for critical industries, recovering some of the shutdown impact and great new products in power tools and specialty torque. The Tools group, volume down 0.3%, as reported, 0.7% organically, about flat, OI margin of 21.2%, up 10 basis points and gross margins of 42.1%, up 150 basis points against the impact of higher material costs and inflation.

In RS&I, sales up 2.5%, as reported, 1% organically. OI margins down, but still strong at 25.2%. And gross margins about flat, resistant to the pressure of cost rises and tariffs, making gains on our advantage in both software and data. And it all came together for a diluted EPS of \$4.94, up from the \$4.82 reported last year. It was, as I said many times on this call, an encouraging quarter.

Going forward, we believe we'll benefit from our continuous investment in building our advantages. The uncertainty appears to be in for a thaw, and we believe the resilience of our markets will continue, essential and critical as they are. We are building all our advantages, and they are powerful. With our advantage in product, our tools really do solve critical tasks, and we have more than 85,000 of them, with new entries always coming. Our advantages in brand, Snap-on really is the outward sign of pride and dignity that working men and women take in their professions. It's a respected and preferred name. And with our advantages in people, skilled, committed, battle tested and enlisted in the expectation of success as a standard. We believe these strengths will set us apart, will enable us to overcome the turbulence and will drive Snap-on to extend its positive trajectory throughout this year and well beyond.

Before I turn the call over to the operator, I'll just speak directly to our franchisees and associates. When I refer to our advantages, both now and in the future, I think of you. The quarter was encouraging, and your conviction and hard work has made it so. For your success, once again, in authoring another positive performance, you have my congratulations. For the intense energy and extraordinary capability you bring to bear every day, you have my admiration. And for your continued commitment to our team and your unflinching confidence in our shared future, you have my thanks.

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

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question and answer session. To ask a question, you may press star then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

The first question comes from Scott Stember with Roth Capital. Please go ahead.

Scott Stember

Good morning, and thanks for taking my questions.

Nick Pinchuk

Mr. Scott Stember, how are you?

Scott Stember

Good. Thank you. Hopefully the same for you. A question on the Tools Group. We saw a little bit of a rebound in the previous couple of quarters, and we turned a little bit negative here. Just trying to get a sense, are you seeing any increased level of technician softness? Or is this you guys just having a greater availability of these quicker payback items, and we're just seeing a little bit more of a mix towards the

lower end of the guidance?

Nick Pinchuk

Actually, that's a great question. Look, I think this. It's about flat. We were up a little bit the last time, you know. So you could look at that as a back, but we don't see it that way. We see that the quarter was pretty turbulent. You might think that the shutdown doesn't affect the Tools Group, but you should have been there talking to the franchisees of Maryland and Virginia. They didn't think it had any effect. They didn't think it was a no-effect situation. And then the tariffs are getting pretty turbulent. And just think about Canada, there have been 29 different presidential or prime minister pronouncements since the beginning of the year about changing the tariffs with Canada and the other tariffs are not the way they are. And then you have this news every time you get up and you look at the news and you see things.

So that affected, I think, their general view. And then we heard a little bit about that, so I think that was part of it. Now, I think I said in the call, I think sooner or later our people have to get used to this. So you could kind of expect the thaw coming. You saw green shoots, one, in the originations being kind of flattish year over year, down a little bit, but that's better than it's been. So you kind of believe that, boy, that's a change, and part of it is pivot, but some of it may be some thaw. So we see that.

And then one of the things I think that's eye popping, and I said so in the call is, geez, in this time, the gross margins are up 150 basis points. Wowza. So whatever the Tools Group is doing and executing, they're doing pretty well within the conditions they've been handed.

Scott Stember

Gotcha. And I think you alluded to tool storage. Actually, I think you said it was kind of flattish in the quarter. Can you talk about actual hand tools, diagnostic, just some of the other sub segments?

Nick Pinchuk

Sure. Look, I'm not going to give you exact numbers. I don't want to pin myself to that cross. But look, I didn't really say that tool storage is up, I said that originations, which is not what the Tools Group does. Remember, the Tools Group sells to the franchisee, and the franchisee on-sells and the end that becomes an origination. So the originations are more an indication of what's happening at the level between the franchisee and the customer. So that was sort of flattish, which is all the same positive as I said. The tool storage was still down some year over year in the Tools Group selling to the franchisees. Hand tools was better. Diagnostics was down. Power tools is up.

Scott Stember

Okay, sorry about that. And then just a last question. Sales onto the van versus off of the van?

Nick Pinchuk

You know, I hate talking about this, Scott, because no month is significant, really, fully significant. You know, we always say that you have a lot of variations from month to month, but it all comes out in the wash in the end. And generally, what we sell on the van equals what we sell off. But this quarter sales were up, kind of substantially bigger. I don't know if you'd call it substantially, but clearly, clearly, with quite a bit of room bigger off the van than our sales to the van. So I would say that's a nice data point, better than a poke in the eye with a sharp stick, but I'm not going to hang my hat on it. But if you want to classify green shoots, maybe this is a green shoot. I just hope the rabbits don't eat the green shoot. But I think it's a positive thing.

Scott Stember

Got it That's great. Thank you so much.

Operator

The next question comes from Luke Junk with Baird. Please go ahead.

Luke Junk

Good morning. Thanks for taking the question. Maybe if you could just jump off on one of the things you just said, Nick, diagnostics. I think you said it was down in the Tools group in the quarter. Can we just maybe double click on that? I'm not sure if we should think there is some pull forward just from the launch strength that you saw in the middle part of this year. Or there just may be some inherent lumpiness. Maybe just separate the—

Nick Pinchuk

Well, look, I think it's more inherent lumpiness driven by the characteristics of the launch, you know. So in the second and third quarter, toward the end of the second quarter, we've launched the Triton. I think that's got a street price, I don't know, it must be \$4,000, \$4,500. It's a massive and powerful unit. And this quarter we launched the MT2600 which is an entry level thing, which is substantially lower in price. But a sale is sort of a sale to the franchisee. Yes, maybe he has to work a little harder for the bigger ticket item, but he's still probably got to put in the same amount of time for either one. And so he does his pitch, does his show and explains everything, and he gets \$1,500 or \$4,000, I think that's pretty much what you're seeing in this quarter.

Luke Junk

Okay. I want to switch gears to C&I. Critical industries if you look a quarter ago, returned to kind of modest growth, now tracking up mid-single exiting '25. But it sounds like it actually maybe even was higher in December, given what you mentioned around the shutdown. Any reason to think that that momentum doesn't now carry over into next year in critical industries?

Nick Pinchuk

Well, I think we have great optimism for our power in critical industries. We think our array of custom kits keeps growing, and therefore we have a greater span of sale. Our custom kitting capacity, we keep increasing it. And one of the things I didn't fully, I suppose, tease out in this comments, is that's what allowed us to catch up at the end. We really pumped it up. I mean, if you looked at October and November, it wasn't the greatest time. You know, the military business, which is a nice business for them, had gone to a crawl, and then they came roaring back. Like I said, you had to see these guys out there working. The head of the division was out there in his dungarees working, packing. So I think, yes, you should see momentum coming out of this quarter.

Now, we don't give guidance, so this is one data point that we are positive, and they didn't fully catch up. So therefore you would expect they'd have some catch up coming out. We'll see how that plays out over three months, but I feel good about it.

Luke Junk

The last thing, kind of cutting across, I know both C&I and the Tools group, just the forward tool strength, I mean, that's been under pressure for a while here. A pretty sharp bounce back in the quarter. Just want to unpack maybe shorter-term impacts given the product launch momentum that you mentioned, and just maybe your historical experience in terms of the tails of that momentum leaking into future periods. Thanks, Nick.

Nick Pinchuk

Well, I don't know. Look, again, we don't give guidance, buddy, but the last time we launched a product like this, like the Nano, oh, years ago, it's a while ago, this kind of uniqueness of it, and it had quite a bit

of legs and it went on for a while. It's a whole different line. That tends to have more legs to it. If you're talking about other products like the long neck ratchet, which I didn't mention on this call, I mentioned last call, 13 inches of neck, 30% longer than anybody else, you know, tremendous power at a distance. But that one can be more episodic, and so you have to find the people who don't have it already, if you're a franchisee. And then, to some extent, it is episodic, like the diagnostics.

I do think, though, that you're going to see that more and more in power tools today for us, because there was a period when we turned our power tools engineers, and some of our engineers partially away from new products, and said, this was the period in which we couldn't get components and so you had to use engineering time to target the components that you could actually get, that actually were available. And that meant design change, and it eats up time. And so now we've got everything full strength, focused on new product, and they seem to be hitting the ball out of the park with repeatability.

So I feel pretty good about it. I think the Nano has got legs, but generally power tools can be episodic.

Luke Junk

Understood. I'll leave it there. Thanks, Nick.

Nick Pinchuk

Sure.

Operator

The next question comes from Sherif El-Sabbahy with Bank of America. Please go ahead.

Sherif El-Sabbahy

Hi. Good morning. I just wanted to touch on some of the brand building expenses that you had called out, particularly in the Tools group. What exactly is embedded in those costs, and how do you expect them to look going forward? Is that sort of an ongoing cost?

Nick Pinchuk

I'm not going to give you exactly what's in the cost, because you'll be asking me how much I'm spending every quarter on each of those categories. And I'm not going to say that. But, look, here's the kinds of things we worked on. We worked on training. You know, this is the kind of thing, training in our business. We worked some on advertising for the brand. The advertising is up. We worked on building software which spreads across this business and the RSI business. We worked on social media, the use of social media more correctly. I mean, these guys are all individual businessmen, you know, the 3,400 vans, and some of them are great at this stuff, and some of them are not. So we worked on those things. Those are the kinds of things we spent on in the Tools Group.

Sherif El-Sabbahy

Understood. And I know the 53rd week wasn't necessarily impactful. Are you able to give us sort of a ring-fence of the size of it and the impact to the year?

Nick Pinchuk

Sure. But one thing you've got to know, it's vastly different between the financial company and the operating company. For the financial company, it's a bonanza. I think Aldo said it's like \$7 million of extra profit. You know, that was pretty much the 53rd week. But if you look at the operating companies, you've got to understand where it is, and it's during the Christmas, the holiday period. And these are expense full, sales weak periods, so it generally is a loser. You have a lot of the expenses flowing through your P&L, they're just there like clockwork, and you don't get any sales. That's what happens. So they're a negative. I will tell you that when you roll that out, it's not, what do we call it, you know, it's not significant.

It's not a significant thing for us. But it's a little bit of a weight, actually, a little bit of a negative, but not significant.

Sherif El-Sabbahy

Understood. Thank you.

Nick Pinchuk

Sure.

Operator

The next question comes from David MacGregor with Longbow Research. Please go ahead.

David MacGregor

Yes, good morning, everyone. I wanted to just ask you about last quarter. We had talked about the SFC, and you had said there were great orders, you were up mid-single digits, but that we're not getting money. I think that was the exact quote. You're not getting much of that at all in the third quarter. So I guess I'm having trouble reconciling that with essentially flat second half Snap-on Tools segment organic growth. Also, maybe what you saw in the fourth quarter growth in the non-SFC fulfillment business.

Nick Pinchuk

Yes, remember, I think I say that the SFC are orders, not sales, so that—

David MacGregor

No, I understand that. But you fulfill in the second half, Nick.

Nick Pinchuk

And second half? I don't know. Do you mean the second half or the fourth quarter?

David MacGregor

The second half of the year.

Nick Pinchuk

Oh, well, the second half of the year is not supported by the SFC. The SFC pretty much starts to blink out in terms of effect just as you cross over the year-end. So there isn't an effect. Do you see what I mean? It's all in the half. So you could ask why we didn't do better in the fourth quarter, if we had mid-single digits in the SFC, and that's because the actual orders end up being a cocktail of about three things. There is the SFC for that half that we refer to. There is the kickoff for the second half, the Big Bang event, and then there are a bunch of usual programs that flow out at different times. They're big promotions. And then there's the monthly meetings for the franchisees that roll out promotions in each one of those.

So the combination of those is what makes the quarter. So if you say that the SFC orders were mid-single digits, and okay, you're not necessarily going to get those. They could be canceled, but they could all be taken up, and you could have weakness in one of the promotions. Or just everybody say every month, well, I've got enough. I'm not going to take anything this month, or I'm going to take a lot less this month. That's what makes it so hard to predict.

Now, SFC and kickoff, you feel good if you get more orders. But it's not definitive. I think I say that when this happens. So that's a look at it. So it's a cocktail of a bunch of different selling efforts that result in the flat quarter.

David MacGregor

Yes. Maybe I'll follow up with you offline on that. Is there anything you can say about the regional kickoffs, Nick, and how they're going?

Nick Pinchuk

Well, they're over, first of all.

David MacGregor

Well, I know they're over. I was asking how they went.

Nick Pinchuk

Okay. They were in the first quarter, so I don't comment on future. But the one I went to was very positive. People were very enthusiastic. And I would say that our reports from around the country, Aldo went to one, and his was similarly positive. So we think they came out well. I think the orders were reasonably robust. But like the SFC, they're not definitive, you know. So if you were just going to base your view of the future on the kickoffs, you would feel pretty good.

What I'd say, David, is more or less that this was a particularly turbulent time in terms of uncertainty. But if you look at the gross margins, the execution seems to be pretty good. If you look at the originations, it seems like the pivot is working, because people are buying some of those small boxes, at least off the van. If you look at the sales off the van, and you say, well, yes, it's only one quarter, but it's better than the sales to the van. That seems like a positive. And if you look at the nature of the world, you wonder if people aren't getting tired of being uncertain and things won't go off. So I think we're kind of optimistic going forward.

David MacGregor

Okay. Last question for me is just on the balance sheet. I mean, you've got \$1.6 billion of cash, a little over \$400 million of net cash, you're generating a billion dollars a year of free cash flow, I mean, you're doing an extraordinary job here. Where are you going to go with the cash? Remind us on your priorities for M&A.

Nick Pinchuk

As you know, I bet you've been looking at it so long you know this dead nuts. But if you look at it, we're working capital hogs, so we always have to have a pretty good dollop of cash to make sure, in case things should explode in terms of sales, we want to be ready to fund it. Because we are not working capital, we're not among the small working capital great inventory turnover, for example. But that's our model. And so you've got that, you've got cash for that. Then the whole thing is the dividend. As I said in my call, we have declared a dividend every year since 1939 and we have never reduced it. So we think about the perpetuity of the dividend, and we think with 16 straight consecutive increases, we always look at it in those contexts.

And then you've got acquisitions. We're always reviewing acquisitions. Now, quite often you look closer and you find out so many warts you don't want it, or it's selling into a segment we don't want. But we do look at acquisitions consistently. And we have made several, Car-O-Liner, for example, Norbar, a bunch of different things over the years. And then we look at it, as Aldo took you through, I think we spent \$80 million plus in share buybacks last year.

David MacGregor

Got it. Well, thanks very much. Good luck.

Operator

The next question comes 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 question. Within the Tools Group in the U.S., could you talk a bit more about what you're seeing in the competitive landscape? Any notable shifts in strategies as far as pricing or mix or marketing?

Nick Pinchuk

Why do you always ask about the competitors? That's what I want to know. But anyway, look, I don't think we're seeing so much about that. I think we have less pressure from tariffs than almost anybody else. I'm not sure that everybody's gross margins are up in the tools group, but I'm not hearing people talk about pressures. But that's normal.

I'll tell you this, when I get on a van, and I do all the time, or I meet franchisees, they never mention the competition. I shouldn't say never, but they seldom mention the competition. And it's because Snap-on is out in a different area. People decide to buy a Snap-on product, or they decide to choose from a bunch of other alternatives. That's really the way it is. We're not actually competing with those guys for the same people. We don't see it. Our guys don't see it that way. Now, I don't know. I think knowing where they source from, and some have had difficulty in making in the United States, I think the tariffs have got to give them some fits. They haven't been giving us fits.

So I would think we'd be in a better position. Well, I'm not sure. I mean, they might absorb it in profitability. Nobody said to us that anybody's dropping price. Nobody said to us, oh, people are raising their price and it makes a difference to us, because we're always above them anyway.

Patrick Buckley

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

CONCLUSION**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 Snap-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.