Snap-on Incorporated

2026 Second Quarter Results Conference Call

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CORPORATE PARTICIPANTS

Sara Verbsky – *Vice President, Investor Relations*

Nick Pinchuk – *Chairman and Chief Executive Officer*

Aldo Pagliari – *Senior Vice President and Chief Executive Officer*

PRESENTATION

Operator
Good day, and welcome to the Snap-on Incorporated 2026 Second Quarter Results Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero.

After today's remarks, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note that this event is being recorded.

I would now like to turn the call over to Sara Verbsky, Vice President, Investor Relations.

Sara Verbsky
Thank you, Cole, and good morning, everyone. We appreciate you joining us today as we review Snap-on’s Second Quarter Results, which are detailed in our press release issued earlier this morning. We have on the call Nick Pinchuk, Snap-on's Chief Executive Officer, and Aldo Pagliari, Snap-on's Chief Financial Officer. Nick will kick off our call this morning with his perspective on our performance. Aldo will then provide a more detailed review of the financial results. After Nick provides some closing thoughts, we'll take your questions.

As usual, we provided slides to supplement our discussion. These slides can be accessed under the Downloads tab in the Webcast Viewer, as well as on our website snapon.com 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 Pinchuk
Thanks, Sara. Good morning, everyone. This was some quarter, testimony that Snap-on executes even in a blizzard, and that our operations represent a clear and credible beacon, showing a continuing path for a positive trajectory as we go forward. The quarter, I'd say, was marked with ongoing momentum and more green shoots, progress against the whirlwind. I mean, this is a turbulent time. I don't know. I'm not sure I've seen more elements of uncertainty packed into a single quarter.

Ukraine, inflation, fluctuating tariffs, restructured supply chains and now piling on the impasse with Iran. It’s really something, but Snap-on shook it all off, punching right through the difficulties of the fog with emphasis. Fortified by the inherent, and that was because we were fortified by the inherent and enduring positives of our markets, the rising complexity of vehicles, the aging car parc, the growing demand for precision and customization in critical industries, and the rise of technology software that makes the special and the proprietary more powerful. You put all of that together with our decisive advantages in product and brand and people, amplify it with our Snap-on Value Creation processes driving improvements, it makes for a powerful combination that creates an encouraging quarter and a very promising future, and so it was.

Now I'll take you through all that, hitting some of the highlights and giving you my perspective on what it all means, and Aldo will give you a detailed review of the financials. Let's start with the results. I believe they testified to all that I just said.

Second quarter as reported sales were $1,235.1 million, up $55.7 million or 4.7% including $11.5 million from the recent additions of Hi-Force and Diesel Laptops, $8.7 million in favorable foreign currency translation and an organic gain of 3%. The OpCo operating margin, or operating income or OI as we'll call it from now on, was $268 million, and the OpCo operating margin for the quarter was 21.8% compared to the 22% last year, down slightly, but still strong, especially in this environment. The gross margin was an attention getting 51.4%, 90 basis points higher than last year. So, the overall story of the period was an encouraging performance, overcoming the cost pressures and funding the investments for the future.

For Finco, the OI was $67.5 million versus the $68.7 million in 2025. When you combine that with our OpCo OI, it resulted in a consolidated operating margin of 25.2%. The EPS was $4.96, up $0.24 or 5.1%, another positive. So those are the numbers.

Now let's turn to the markets. Vehicle repair is still a great place to be. Cars and trucks are essential parts of our lives, but keeping them on the road is more and more of a challenge. The parc is getting older every day. The models are getting more complex with each new launch. I would say this is— I've said it before. I think this is the golden age of vehicle repair and the numbers tell the story. Spending on repair, technician hours worked at work, and mechanic wages are all up. So the garages are pumping, and the techs remain cash rich, but in this environment, they still remain confidence poor.

The uncertainty hasn't gone away. A single scan of the morning news will tell you that. So our customers, the technicians, remain reluctant to take on longer term obligations on big ticket purchases. Tool storage volume and the associated originations are still down, but the mechanics need to meet the rising complexity, so our pivot to quicker payback items is working. Overall volumes are up. You see, the technicians really are a great segment, resilient, and period by period, that's what's playing out in the Tools Group.

Recently, I had the— just to sort of anecdotally, recently I had the opportunity to visit franchisees in the field, speak with some shop owners and technicians, and I'll tell you, I came away more convinced than ever that this is a great place to be. The franchisees were pumped and excited about their current prospects and very optimistic about their future. The independent shop owners, they can only talk about how to get more technicians. They wanted as many as they could find, and a tech said they were slammed, telling me that repairs are getting way more difficult, especially troubleshooting and accessing and repairing— troubleshooting, accessing, and repairing newer systems. Getting better— that means complexity is only going to get worse from a repairability level. Getting better access in tight quarters to speed their work was high on their list, and we're putting them right on target.

One tech said, I have my new— we brought out this new power tool, the Nano Axcess. You can fit it in your pocket. He says, “I have my new Nano. I have my new Nano Axcess power tool. The other day, it helped me shave 90 minutes off a repair. We need more tools like that. Snap-on speeds the work and shows everyone I'm a serious professional.”

This is music to my ears because this is who we are and what we do. We go to work where the work is happening. We observe the techs. We identify the toughest and most complex tasks and we develop customized solutions that make the work easier, faster, and more productive. The techs line up to gain that advantage. One of the reasons why the pivots work.

The other side of auto repair is where the Repair Systems and Information Group or RS&I operates. It's where we're expanding our presence with repair shop owners and managers, increasing and enabling our broad array of products, all to help the garages meet the broader challenges of today's vehicles. The acquisition of Diesel Laptops, giving our team more to sell in the heavy duty arena is a great example of that effort. We like RSI's potential moving forward. The repair shop footprint is changing and upgrading, both at dealerships and independent shops. RSI is making the most of that trend with proprietary data-driven solutions that are the engines behind our intelligent diagnostic software and our Mitchell 1 software offerings.

Right now, independent shops are continuing to invest in adopting products that expand their capabilities. For example, this quarter, our new A/C recycling machine aligned with the refrigerants used in modern vehicles and at the same time offers new autonomous features that boost shop productivity. The new design helps garages drive more repair orders and it was quite popular with the independents.

Now, for our OEM dealers, there's some hesitancy for capital expenditures. Owners and managers know they need upgrades to match the new model, but a lot of them are keeping their powder dry, waiting to take the lead from the manufacturers, and the automakers have slowed their program launches, so the dealer side of the business is in a low spot. Having said that, RS&I understands the market, and it has an unrivaled product portfolio that is unique in position to take full advantage of the segment as it evolves.

Now let's speak to the world outside the garage. In critical industries, this is where Commercial and Industrial operates— the Commercial and Industrial, C&I Group, operates. This is our business with the largest international presence, serving the critical and the essential, where the penalty for failure is high, and that world is advancing, adopting new technologies and creating systems that are more and more sophisticated. It's an environment where the appetite for precision and customization is growing every day and C&I is right on that trend.

Sales were up big across a number of sectors and geographies at C&I. The critical industries are booming and our custom-built kits aimed at specific challenges are— they're in strong demand. This is also the time for— and it's also a time for our Specialty Torque division because the rising number of automated systems requires tighter tolerances. So, our expanding torque operation can fill that bill exactly from large hydraulic and tensioning systems to lighter force applications where speed and control are challenging, like in our Mountz acquisition which we acquired a couple years ago, and essential. It’s challenging and essential. Snap-on increasingly has the product lines to cover the waterfront and meet the growing trend for precision.

For the international landscape outside the garage, the Asia Pacific and European operations rebounded nicely and stabilized against the backdrop of a still ever-changing supply chain. In that orb, Snap-on is advantaged by making in the markets where we sell and by our 36 factories around the world, giving us considerable flexibility. Those strengths were clearly in play in this quarter and the C&I results are a dramatic confirmation.

So overall, in both vehicle repair and the critical industries, the quarter demonstrates the strong resilience of our markets and our significant ability to take advantage. The period also shows the power of Snap-on Value Creation processes, safety, quality, customer connection, innovation, and rapid continuous improvement, or RCI, and it all came together, creating popular new products and continuing improvements. I mean, gross margins are up 90 basis points.

That's the macro overview. Now let's move to the segments.

I think we'll start with C&I. Sales were $394.8 million, an increase of $48 million, or 13.8%. Now that includes $6.8 million from our Hi-Force acquisition, $2.5 million of favorable foreign currency and an organic gain of 11%. Eleven percent. Now, hearing that there's only one reasonable thing to say: Boomshakalaka! I'm telling you, we love it. I'll tell you, there are gains and improvements all across the business. Double-digit increases in Asia Pacific, in the European hand tools business, in specialty torque and power tools. Wowza! The demand for custom kits and precision torque and innovative power tools is strong. What we always said would happen.

Finally, the industrial business was up mid-single-digits, but that includes continued weakness in the military sector, which somewhat attenuates a demonstration of considerable strength, and I mean considerable strength, in heavy duty natural resources and in both the U.S. and international aviation. From an earnings perspective, C&I operating income was $66.5 million. It improved $19.6 million, or 41.8%. Yes, 41.8%. The operating margin, it was a new record, 16.8%, 330 basis points above last year. The gross margin, in the midst of material cost inflation and inflation, it was 42.6%. That's up 260 basis points over last year. We said Snap-on could extend out of the garage, and it's doing just that, and it's doing it profitably.

Innovative new products from Murphy, North Carolina were a major driver. That one example was our all-new CTR829. That's a quarter-inch drive, 14.4 volt ratchet with an extra-long wrench stretching out 11 inches to reach into those isolated spaces. It's the little brother of the previously launched 3/8 inch model, but that doesn't mean it's weak. I mean this baby produces 40 foot pounds of torque and operates at 400 RPMs, all out of a small compact frame that houses a bright LED ring illuminating the workspace. Now techs can reach further under the dash and between fenders, engaging bolts with ease, and when they hit the paddle trigger, boom! The 829 makes quick work of the task. Reach, power, and speed. It's a winning tool, and I'll tell you the tech say it’s so.

During the corner, we also released the new 3/8 inch digital torque wrench. Remember, I said precision is important. The Atech 135. It's the latest entry in our already popular Atech product line. It's loaded with popular features that make a difference: easy navigation, a durable housing, compact head design, and incredible precision. It's designed in our City of Industry facility in California, and it offers a new color display, a brilliant screen that provides better viewing from any angle and makes a crystal clear image (and this is important) even in direct sunlight, and the unit boasts 135 foot pounds of torque and it's the biggest in the ratchet industry. The 135 is another tool that makes torque tasks much easier. Precision torque is on the rise, and Snap-on is leading the way.

That's C&I. Significant growth across the global footprint. Sales up 13.8%, 11% organically. Second straight quarter of big increases in sales. An operating income of 16.8%, a 330 basis points improvement. C&I all-time record. The Snap-on brand is extending out of the garage to serve the critical and C&I is the rocket ship that's making it so.

Now let's turn to the Tools Group. Group sales were $508.8 million, up organically 3%. The green shoots continue. Increases in both the U.S. and international operations, pivoting to quicker payback items, the power tools and the torque wrenches in their lineup. Operating income was $115.1 million compared to $116.7 last year. The operating margin was respectable but still down 22.6%. Volumes were strong, but they were driven from products made by the other Snap-on divisions, like the aforementioned power tools and torque, where strong corporate margins for those tools as a whole are shared across the operations, making the Tools Group margins thinner.

The group's strongest sales this quarter were part of the pivot to match the customers changing preferences – I guess it's not changing now, they've been there for a little while – and launching products that simplify some of the non-standard solutions that challenge repair on modern cars. Actually, when I was talking to the techs, they talked about this quite effusively. They said, “Boy, we love your product that attacks some of the special and more difficult tasks we have.”

For instance, something as simple as removing lug nuts can evolve into a thorny procedure. Several OEMs put chrome covers on the wheel nuts for appearance. Well, these taps often swell and deform from exposure to moisture or if you're around here in Kenosha, harsh winters. When that happens, traditional sockets won't fit, and valuable garage time is wasted cutting that material away, all for a very routine procedure. So, seeing the problem, we developed a 7-piece drive socket set that has in-between metric sizes from 16.5 millimeters to 22.5 millimeters, providing just enough change in size to fit the task, providing solid engagement, enabling rapid improvement, and driving a quick repair. I know it seems trivial, but it's a manufacturing challenge to make these special sockets that was accommodated by the unique flexibility of our Milwaukee plant and it was a tremendous hit with the techs. It's quickly become one of our million-dollar hit products.

We also recently introduced the seven-piece Swivel TORX Impact Flex Socket set. It's ideal for difficult jobs where techs have to access high-strength TORX fasteners in tight and obstructed areas. That's a combination that's quite common in European high-performance vehicles. Places like Volkswagen and Audi steering columns, BMW caliper brackets, Mercedes front brake calipers and Jaguar driveshafts. The design is equipped with a laser welded swivel joint, offering up to 30 degrees of flex, enabling a power tool to operate quite effectively in confined spaces by offsetting its position and still getting to the fastener. All this makes the repair possible without time-consuming disassembly. The set was just introduced and it's clear the techs are big fans once again. So that's the Tools Group, growing against the winds of uncertainty, pivoting to faster payback items, observing work and developing solutions that solve the complex.

Now, let's turn to RS&I. Sales in the quarter were $480.3 million, up 2.5%, including $4.7 million from the Diesel Laptops acquisition and $3.8 million in favorable foreign currency translation. Organic sales were up slightly over last year. Momentum in our diagnostic and undercare equipment for independent garages was attenuated by lower volumes in the OEM dealership segment.

Operating earnings in the quarter were $115.1 million compared to $119.8 last year. The group's operating income OI margin was 24% versus the 25.6% last year— down, but still strong. That decrease represents the effect of higher sales in lower margin equipment products and ongoing investments in our proprietary database, advancing with our large language models, an effort that we know will all pay dividends going forward. The independent shops were the bright spot and a big reason was the recent launch of our Apollo handheld diagnostic unit. It's a new entry point for the techs wanting the power of intelligent diagnostics at a moderate cost, but the phrase entry level doesn't do it justice.

The Apollo has a number of great features: the full power of our industry leading proprietary information, expansive manufacturer and model coverage, fast track intelligent diagnostics for guided workflow, and our SureTrack database powered by 660 billion vehicle events and 3.4 billion repair records. Apollo, it's whip smart, but it's also easy with improved display visibility and extended battery life, and wireless connections to the vehicle, so techs can roam freely in the bay without being tethered in the driver's compartment. The increased storage makes it clearly faster. So, the new Apollo is a winning combination: smarter, easier, and faster. Sales off the van were strong and the momentum, an important thing, after the launch, momentum remains robust.

Well, that's RS&I. Powerful hardware and software, differentiated by proprietary data with more speed and more accuracy than ever before, wielding new products to conquer the complex repairs of today's cars.

So that's Snap-on second quarter. Overall sales: $1,235.1 million, an all-time record for the second quarter. Organic sales up 3%. Gross margin 51.4%, up 90 basis points. Powerful. C&I Group organic sales up 11%, gross margin up about 260 basis points, and the operating margin up 320 basis points—up, up, up, gangbusters. It's a great quarter for C&I. The Tools Group organic sales up 3%. The pivot working against the uncertainty. Gross margin strong. RS&I organic sales up slightly, but the as reported number setting a new record for overall sales in the second quarter. Profits down but still quite strong. And the overall corporation, EPS of $4.96, up $0.24 versus last year.

Snap-on was rolling down our runways for growth, enhancing the van channel, the pivot is working, expanding with repair shop owners and managers, strengthening our proprietary advantages, and extending to critical industries, taking Snap-on out of the garage with emphasis and profitability. It was another encouraging quarter.

Now I'll turn the call over to Aldo.

Aldo Pagliari
Thanks, Nick. Our consolidated operating results for the second quarter are summarized on Slide 6. Net sales of $1,235.1 million in the quarter represented an increase of 4.7% from 2025 levels, reflecting a 3% organic gain, $11.5 million of sales from the acquisitions of Hi-Force Hydraulic Tools and Diesel Laptops that occurred during that period, and $8.7 million of favorable foreign currency translation. Sales in our commercial and industrial sector, or the C&I Group, were up double-digits versus last year, with progress made across North America, Asia, and in Europe. In our automotive repair market, sales gains were achieved through our franchise van channel in the United States as well as internationally. Consolidated gross margin of 51.4% compared to 50.5% in the second quarter last year. The improvement of 90 basis points primarily reflected the benefit of increased volume and savings from the company's RCI initiatives.

Operating expenses as a percentage of net sales of 29.6% rose from 28.5% in 2025, primarily due to increased personnel and other costs, as we continue to invest in support of our brand and our business opportunities. Operating earnings before financial services of $268.9 million in the quarter compared to $259.1 million last year. As a percentage of net sales, operating margin before financial services of 21.8% compared to 22% reported in 2025.

Financial services revenue of $99.7 million in the second quarter compared to $101.7 million last year, while operating earnings of $67.5 million compared to $68.2 million in 2025. Consolidated operating earnings of $336.4 million compared to $327.3 million last year. As a percentage of revenues, the operating earnings margin of 25.2% compared to 25.5% in 2025. Our second quarter effective income tax rate was 21.9% in 2026 and 22.5% last year. Net earnings of $260.6 million, or $4.96 per diluted share, compared to $250.3 million, or $4.72 per diluted share in 2025, reflecting a 5.1% increase in earnings per share.

Now let's turn to our second results for the quarter. Starting with the C&I Group on Slide 7, sales of $395.8 million rose $48 million compared to 2025 levels, reflecting an 11% organic gain, $6.8 million of acquisition-related sales and $2.5 million of favorable foreign currency translation. The organic volume improvement includes advancements in our Asia Pacific and European-based hand tools businesses, which have better tailored their cross-border supply chain activities in response to the current trade environment. The group also benefited from double-digit gains in our specialty torque and power tools operations.

Sales to customers in critical industries rose mid-single-digits in the period, led by robust activity in international and U.S. aviation, and including gains in heavy-duty fleets and technical education. Shipments serving military applications remain attenuated both in the quarter and year-to-date.

Gross margin improved 260 basis points to 42.6% in the quarter from 40% last year, mostly due to the increased sales and savings from the segment's RCI initiatives. Operating expenses as a percentage of sales of 25.8% in the quarter improved 70 basis points from last year, primarily reflecting the higher sales volumes. Operating earnings for the C&I Group of $66.5 million compared to $46.9 million in 2025, and the operating margin of 16.8% improved 330 basis points from last year.

Turning now to Slide 8, sales in the Snap-on Tools Group of $508.8 million compared to $491 million last year, reflecting a 3% organic sales gain and $2.9 million of favorable foreign currency translation. The organic increase was due to low single-digit gains, both in the United States and in the segment's international operations. Activity in the quarter included higher sales of featured new items, including those in the power tools, air conditioning service, and diagnostics product lines. As a reminder, the Tools Group serves as a distributor for these products, which are made by our C&I and RS&I Groups.

Gross margin of 48% in the quarter, compared to 48.3% last year. The 30 basis point decline primarily reflected a year-over-year shift in product mix, partially offset by savings from the segment's RCI initiatives. Operating expenses as a percentage of sales of 25.4% compared to 24.5% in 2025. The increase was due to higher personnel, freight, and other costs. Operating earnings for the Snap-on Tools Group of $115.1 million compared to $116.7 million in 2025. The operating margin of 22.6% compared to 23.8% last year.

Turning to the RS&I Group shown on Slide 9. Sales of $480.3 million compared to $468.6 million a year ago, reflecting a $3.2 million organic gain, $4.7 million of acquisition-related sales and $3.8 million of favorable foreign currency translation. On an organic basis, low single-digit increases in undercar equipment and in sales of diagnostics and repair information products to independent repair shop owners and managers were mostly offset by decreased activity with OEM dealerships.

Gross margin for the RS&I Group of 46.3% decreased 50 basis points from last year, primarily reflecting higher sales of lower gross margin products. Operating expenses as a percentage of sales of 22.3% compared to 21.2% in 2025. The increase was due to higher personnel and other costs, expanded technology investments, as well as 20 basis points from the recently completed acquisition of Diesel Laptops. Operating earnings of $115.1 million compared to $119.8 million last year. The operating margin of 24% compared to 25.6% reported in 2025.

Now turning to Slide 10, revenue from Financial Services of $99.7 million decreased $2 million from last year, primarily due to lower interest income resulting from a year-over-year decrease in the size of the average finance receivable portfolio in the period. Financial services expenses of $32.2 million decreased from $33.5 million in 2025, mostly due to $1 million of lower provisions for credit losses. As a result, financial services operating earnings were $67.5 million compared to $68.2 million last year.

In the second quarter, the respective average yields on finance receivables were 17.6% and 17.5% in 2026 and 2025, while the average yields on contract receivables were 9% in 2026 and 9.1% in 2025. Total loan originations of $281 million in the second quarter represented a decrease of $12 million or 4.1% from 2025 levels. Originations of extended credit loans were $237.6 million in the period, reflecting a decrease of $5.9 million or 2.4% from last year.

Moving to Slide 11, our quarter end balance sheet includes approximately $2.5 billion of gross financing receivables, with $2.1 billion from our U.S. operation. For extended credit or finance receivables, the U.S. 60-day plus delinquency rate of 1.7% is down 10 basis points from the second quarter of 2025. Additionally, the rate is down 20 basis points from last quarter. Trailing 12-month net losses for the overall extended credit portfolio of $71.9 million represented 3.7% of outstanding's at quarter end, down sequentially from 3.75% in the first quarter of this year. We believe that these portfolio performance metrics are encouraging considering the current environment.

Now, turning to Slide 12, cash provided by operating activities of $271.5 million in the quarter compared to $237.2 million last year. Net cash used by investing activities of $195.1 million mostly reflected business acquisitions during the quarter of $154 million, net of cash acquired, consisting of $99.1 million for Diesel Laptops and $54.9 million for Hi-Force. Additionally, the company incurred $23.1 million in capital expenditures. Net cash used by financing activities of $185.8 million included cash dividends of $126.4 million and the repurchase of 241,000 shares of common stock for $91.4 million under our existing share repurchase programs. As of quarter end, we had remaining availability to repurchase up to an additional $185.5 million of common stock under existing authorizations.

Turning to Slide 13, trade and other accounts receivable of $942.2 million represented an increase of $60.8 million of 2025 year end levels, mostly due to higher sales and $12.2 million from acquisitions. Days sales outstanding were 70 days at the end of the second quarter and 67 days at 2025 year end. Inventories, including $17.6 million from acquisitions, increased by $20.1 million from 2025 year end. On a trailing 12 month basis, inventory turns of 2.4 were the same in both periods.

Our quarter end cash position of $1,644.7 million compared to $1,624.5 million at the end of 2025. That concludes my remarks on our second quarter performance. I'll now review a few outlook items for the remainder of 2026.

With respect to corporate costs, we currently believe that expenses will approximate $28 million for each of the remaining two quarters of 2026. As a reminder, in the third quarter of 2025, our diluted earnings per share of $5.02 included a $0.31 non-recurring one-time benefit from an RS&I Group legal settlement. We expect that capital expenditures for the year will be approximately $100 million and we currently anticipate that our full year 2026 effective income tax rate will approximate 22%.

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

Nick Pinchuk
Thanks, Aldo. Well, that's the second quarter. Continuing momentum in the midst of extreme turbulence. To use an ancient reference, now suddenly contemporary, it feels like we're moving between the Scylla of international conflicts and the Charybdis of supply chain revisions. Although it's challenging, we are making headway, and so it is.

C&I coming into its own. Sales up organically, 11%. Gross margin is 42.6%, up 260 basis points. OI 16.8%, an all-time high. C&I on a trend, demonstrating that opportunities in rolling the Snap-on brand out of the garage are substantial as we always said they were. Tools Group sales up 3% organically. The movement, the momentum continues and the green shoots grow. RS&I sales up 2.5% as reported, up 0.7% organically, robust with independents, impacted by the OEM doldrums. OI margins 24% down, but still strong. All while managing the turbulence and funding increased investment.

It all came together for the corporation. Sales up 4.7% as reported, 3% organically. Gross margins 51.4% and OI margin 21.8%, both robust. The results, taken individually or collectively, are marked by momentum, strength, and continuing green shoots. It was an encouraging quarter, and we believe it speaks volumes about the possibilities of our path.

These are exceedingly turbulent and interesting times. Yet our markets remain quite resilient, both vehicle repair and critical industries, anchored in the essential nature of the task activities that are needed, come what may. The quarter showed we can participate fully in that resilience, wielding our decisive advantages in product, brand, and in people.

Product, we really do make critical tasks easier. You heard that echoed in the great new offerings we just discussed. Brand, Snap-on really does define the professional like no other brand. You could hear it in the voices of the techs we visited. And people, the Snap-on team really is uniquely capable, deeply experienced, and relentlessly committed to achieve. You can see it in the engagement day after day. And with the opportunities of our resilient markets and the power of our advantage, we are confident, confident in our belief that we will extend our progress, maintain it even in the turbulence, and drive a positive trajectory on through the year and well beyond.

Before I turn the call over to the operator, I'll speak directly to our franchisees and associates. You are those who really do make a difference. Snap-on's storied past, exciting now, and promising future is rooted in your commitment. For the enthusiasm you bring to our enterprise every day, you have my admiration. For the success you've achieved this encouraging quarter, you have my congratulations. For the unfailing dedication you hold in our team and the firm conviction you have in the days and decades ahead for our enterprise, you have my thanks.

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

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we'll pause momentarily for the first question.

Our first question today will come from David MacGregor with Longbow Research.

David MacGregor
I want to start off by just asking about the gross profit upside in C&I— 220 basis points. How much of that do you think was mix driven versus maybe other factors?

Nick Pinchuk
260 basis points, by the way, but anyway, why quibble over?

David MacGregor
It is 260. My mistake.

Nick Pinchuk
I think I know my numbers, but anyway, the— yes 260. Not so much. The thing is the highest profitability business, which is the critical industries Industrial business, was the business that grew mid-single-digits, so grew below the average. That's far and away the most profitable. What happened then you had movements upwards in a lot of those businesses because a couple of them brought out great new product, particularly power tools and torque. Torque's day has come, so they're making hay while the sun shines here. Then you had recovery in Asia Pacific and SNA Europe, where you got good absorption in that situation. So, I think that was the factors.

David MacGregor
Okay, seems like there was probably a pretty good pull through to the Snap-on Tools segment on some of these bigger ticket items like diagnostics and maybe specialty torque, but the originations were down

4%. Do you think the franchisees are just restocking in these items, which would be a little surprising ahead of the SFC? But what's your perspective?

Nick Pinchuk
No, I don't know. Look, I think if you step back and you look at what happens, there was pull through. I think you have to parse between torque and diagnostics because torque isn't that big an origination product, so you kind of have to take that. I would diminish that in the mix. So you're talking about diagnostics versus tool storage. Diagnostics was up nicely, but tool storage was down, and tool storage is a bigger piece of the pie. So when it's down, there's more volume flowing through there. So that's what happens in origination.

Now originations, what were they down? A couple, three points, something like that. Small, low single-digits. So it was slightly more less originations year-over-year than last time, but not so big a change. I don't think we're surprised by it too much. I'm not sure. To answer your question directly, I'm not sure you can read too much into that in terms of stocking.

David MacGregor
Then I think we've talked in the past about you increasing your in-sourcing since the whole tariff sort of situation developed. Can you talk about the extent to which that may have helped you on the margin side this quarter?

Nick Pinchuk
Well, yes, I can't give you any direct numbers, but one of the things I— well, you heard the 14.4 volt ratchet, that we launched that. Our whole 14.4 volt line had been made in Kunshan and was eating, for a period of time, a lot of margins, a lot of tariffs. So, we don't have that many tariffs. We have some of them, and so we brought that whole line home and we were able to start sourcing again with more volume in Murphy, which is the Power Tools plant, and that started to help us.

Same kind of things happening in Torque. We're doing that in Torque, so it's really up and down the line. Diagnostics was ahead of the curve on that. They were already bringing stuff home, so they had the thing established. So they didn't get much out of this in terms of— even though they did a great job of avoiding any kind of tariff entanglements. I think you saw good news in both power tools and torque and the numbers show it. Their profitability is up a considerable number of basis points.

David MacGregor
Last question for me is just on gross margins in RS&I and in Snap-on Tools were down year-over-year, and I realize there's some mix discussion there as well. I'm just wondering, Aldo had characterized the gross margins as having benefit from RCI. I'm just wondering at what point you need to lean more aggressively into the market on pricing in order to protect these margins.

Nick Pinchuk
Yes, I don't know. Look, yes, I could do that. I'm not so anxious to do that. The gross margin, look, Dave, the gross margin in Tools Group is down 30 basis points. So 90 of those basis points was an OE margin deterioration, how much they were down in the quarter. The 22.6% was down 120 basis points. So we didn't think gross margins were that much out of whack in the Tools Group.

Now you always have more pricing you want to do, but I don't like that. I like to beat it with RCI and sourcing changes, especially in this environment. Plus, actually, I like that. I like to hammer it with good new tools. The big thing about the margin deterioration in the Tools Group was it was principally tieable to the fact that all the big hits this quarter were made by somebody else, so they had to share the margins. That's really the cadence in the Tools Group. Actually, I'll tell you, we haven't seen a quarter quite this dominant for the other products. They all came out with hits that they sold. I didn't mention PolarTek, the air conditioning, but that's made by the RS&I business, and that was shared through the Tools Group. So that's really it. Tools Group margins aren't much of a concern for us.

Operator
Our next question will come from Christopher Glynn with Oppenheimer.

Christopher Glynn
Just want to use kind of storage as a kind of a barometer for discussing the market for SOT. So storage had a really nice quarter last quarter. Seemed to be some optimism would hold, but maybe the first quarter was just a little bit of isolated success that sort of defied the characterization of the market as fast payback. Do I have that right, would you say?

Nick Pinchuk
Yes, sort of. I mean, I think it's in the first quarter we launched that special semiquincentennial box that gave some oomph to tool storage. So I really believe— we only made like 1,776 of them. They were numbered. People were crawling all over each other to get them. I think that overcame the reticence. People saw it as a once-in-a-lifetime opportunity to get them, so they kind of overcame the reticence. So you saw some of that.

Look, I think this quarter, I think this uncertainty is about the same. I don't know if you want to play the uncertainty game. You could have said in the first quarter things were rolling along. Maybe you saw uncertainty was a little weaker and then you poured the oil of Iran on top of it. So maybe you saw a little bit more reinforcement of the uncertainty. Although we didn't think we saw it in our numbers. We think it's about the same. So the first quarter we chalked up, Chris, to some incandescent new product that you can only get once in a lifetime.

Christopher Glynn
Semiquincentennial, I like that turn of phrase there. On the C&I, APAC and Europe really pretty encouraging there, and the volume leverage definitely notable. So appreciate your comments that that business is on a trend. That's about as far as you go in terms of forecasting, so appreciate that. Anything interesting to say about market share in APAC and Europe?

Nick Pinchuk
No, I think it's a little— we certainly, if you're in ordinary times, I think we had a number— we don't like to talk about market share. It's pretty squishy for us, actually.

Christopher Glynn
I'm asking anyway.

Nick Pinchuk
I know you are. Look, I think the rebound in Europe, though, for our hand tools business, our hand tool based business, was large enough so you would start thinking you must have made some gains in ordinary times. In these times, I don't know. You don't know. I mean, I think Europe is up and down. The markets are positive one quarter— certain markets are positive one quarter, and then it shifts. So I think it's very difficult to predict. What we do know is we seem to be getting more efficacious. So that's good. Same thing happening in Asia, actually.

Christopher Glynn
What do you mean by more efficacious?

Nick Pinchuk
Well I think our product lines are getting stronger. Product lines are getting stronger, and I think we are having more direct customization in Europe and other places. Same in Asia. So that's working pretty well. In Asia, we're selling more of what we call premium tools, which are Snap-on Tools, which are pretty good and we have some of the intelligent boxes moving around there.

Christopher Glynn
Last one, RS&I margin, first half run rate is a step down from what I'd call the normal 25%, 26% range and you've called out the investments in technology. Just curious if we should think of these maybe sub-normalized run rates as kind of the near-term picture continuing or do you see some lift into the second half—?

Nick Pinchuk
Look, I don't know. It's hard for me to say. I think we've had three quarters of about the same sales growth in RS&I actually. For government work, you could say that. In that situation, the OE with the investments in people and our technology and so on starts to rain pretty well. To put in perspective, RS&I was down 160 basis points, but 50 of it was in gross margin, 110 was in OE. So, if you want to talk about going forward improvement, I think you concentrate on the 50 basis points in gross margin, not so much the OE.

Operator
Our next question will come from Scott Stember with Roth.

Scott Stember
So questions on some of the green shoots that you've talked about last quarter, heading into this quarter, seems like there's some higher ticket items related to new products that are doing well in Tools. Yet, tool storage is still soft. Just net-net, trying to get a sense of how much of the growth that we're seeing right now in Tools is pivot driven, and how much of it is a potential thawing in demand for some of these higher ticket items outside of tool storage?

Nick Pinchuk
I don't know. Look, I think that's hard to say. I do believe that the products are helping the pivot. So you've got power tools and you've got certainly torque, and so part of the pivot, Scott, is to enhance those product lines. You are seeing the fruits of that enhancement play out in the market and that's the biggest piece of the increase.

The other piece of the increase is you had a good order for Apollo. It was very appealing. Apollo, traditionally, if you really have expertise, doesn't launch as well as the other diagnostics because of the lower price point and still it's expensive. It's at an entry level for intelligence diagnostics, but this one did. So we're encouraged by the big launch, and that wouldn't have been the pivot. That would have come out come hell or high water, whether we were pivoting or not, but the growth in power tools and torque are clearly pivot items. I would say you could say two thirds of the growth or more was the pivot.

Scott Stember
Then moving over to C&I, obviously a lot of good stuff going on, but there's been some noise made about your guys' opportunity within the current AI data center build out. Could you maybe talk about that a little? Have you seen anything and if not, just maybe talk about some of the green shoots that you see there?

Nick Pinchuk
Scott, I told myself I wasn't going to mention the word data center on this call because I thought it was shameless, but we did have a pretty good order serving some of the data centers, which we expect to

drive going forward and expand, because the data centers— I think we'll get more business there, but one business that seems to be heating up now is low precision torque. This is the Mountz product line, which we acquired it for. That's selling to data centers in quite big proportion. So part of the increase in C&I was that particular business. When I said appetite for precision, I meant big equipment in a lot of different places, aircraft and so on, but I also meant data centers.

Scott Stember
I'm glad I asked.

Nick Pinchuk
But I just didn't want to mention it because I'd be too humiliating to say it again.

Scott Stember
Then just last, you guys called out increased personnel expense across the board, or at least in a couple of the segments. Is that more driven to growing the business or is there anything else there?

Nick Pinchuk
No, we're looking to grow the business. Sometimes when you look at these things, you say, “Geez, maybe if I could put a little more energy at the point of attack in certain places, it's going to break through some of the bonds,” and we did some of that in the Tools Group and in the RS&I Group. So that's why you see some of their OE up— the personnel costs there.

Operator
Our next question will come from Gary Prestopino with Barrington Research.

Gary Prestopino
I wanted to ask about Diesel Laptops. Was this acquisition, does this give you your first foray into the Class A truck business with a database like that?

Nick Pinchuk
It gives us our first database in that area in terms of it provides database, but we have positions in some of the bigger products in place like Nexiq and some of our other, but this one greatly enhances it. If you’re talking about distribution and data that's in both of the situations. So we liked it from that perspective. Really, what we're talking about here is we think that Diesel Laptops are a big, I don't know, a good opportunity for us and we haven't mined it as comprehensively as other places, so this was a way to bulk up our offerings. Diesel Laptops has a lot of good relationships with the diesel customers, with those big truck customers, and it does have a database which provides the beginnings of trying to do just what we did for cars only in trunks.

Gary Prestopino
You mentioned it added about $2.7 million of sales this quarter, I think in your narrative.

Nick Pinchuk
No, I don't know if anybody said that. I don't think we said how much it would add, but it's $4.7 million. I knew that number. I wasn't sure that I was authorized to say it, Gary.

Gary Prestopino
I'm sorry. There's a lot of people talking about it. Somebody said $4.7 million.

Aldo Pagliari
Just remember, it was only a partial month. It was only in our results for a partial month in the month of June.

Gary Prestopino
Yes, that's what I'm kind of getting at. What kind of contribution it would make to the top line. I would assume it's somewhat margin accretive.

Nick Pinchuk
Yes. Now, it's EPS accretive, not margin accretive.

Operator
Our next question will come from Brett Jordan with Jefferies.

Brett Jordan
Nick, on your shop tours, I think you talked about the golden age of vehicle repair. Do you have any color as to what the contribution of car count versus price is in sort of the underlying industry growth? Are these shop owners you talk to saying they're seeing more traffic or is it a lot of pricing benefit of—?

Nick Pinchuk
Well, I think look, Brett, it seems like it's, of course it's a windshield survey, but the technicians I talked to said the word they used was slammed, so they acted like they were busy. I'm not sure the car count is the operative thing. I don't even know if you can tie it to pricing because there's one other factor: how complicated is each repair? See, repairs per vehicle are getting more complicated, so I don't know if you can say that's pricing. I'm sure there's pricing, but I think what we're hearing is everything these days has alternate ideas. I mean, I think the whole idea— I saw something the other day, one of the car lines has a brake system where, without a special tool that we provide, you have to dismantle the brakes to get to the bolts to make the repair. That adds a lot of a lot of time. I think this kind of inconvenience is spread throughout the vehicles, and the OEMs are not doing a good job of repairability and so I think that's adding cost. So I'm not sure which it is.

Brett Jordan
Similar question on the OEM side, since you called out the dealers as a weaker section, is that driven by individual dealer sentiment or is there sort of direction from the OEMs as far as is it driven by their creation of demand for more complex tools and diagnostics? So, is it OE-driven softness or is it dealer rooftop-driven softness?

Nick Pinchuk
I think it's hard to pinpoint, but I think it's like this. The OEMs have stopped launching programs, have reduced— I don’t want to say stopped, but it substantially reduced. They were launching a lot of them. They were catapulting them into the market around electric vehicles and then kind of I think if you write off $53 billion, it kind of daunts you on this kind of thing. They took a pause on this because their regroup— my view is the regrouping to have a future product line that adjusts for that difficulty or the hole that electric vehicles might have made. Therefore, you see those. You're not getting as many programs, and that affects us because we enable the programs, so that drives some of our volume down.

Then the other place is, I do believe, when we talk to the dealerships, this is a time for them that's a little uncertain. What are the cars? What are the new cars they're going to get? I'm not sure they know. I think that creates a little bit of uncertainty psychologically. They know they want to— so I think they're kind of waiting a little bit now.

What I've said I think is that there are our idea about weakness in OEMs doesn't mean that the dealers are so bad. It's that the dealers, in combination with the OEMs backing down on programs, have created I would call a flat spot in our sales.

CONCLUSION

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

Sara Verbsky
Thank you all for joining us today. A replay of this call will be available shortly on snapon.com. As always, we appreciate your interest in Snap-on. Have a good day.

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