



Quarterly Financial Review

**Second Quarter
2022**

Who We Are

OUR MISSION

The most valued productivity solutions in the world

BELIEFS

We deeply believe in:

Non-negotiable Product and Workplace Safety
Uncompromising Quality
Passionate Customer Care
Fearless Innovation
Rapid Continuous Improvement

VALUES

Our behaviors define our success:

We demonstrate Integrity.
We tell the Truth.
We respect the Individual.
We promote Teamwork.
We Listen.

VISION

To be acknowledged as the:

Brands of Choice
Employer of Choice
Franchisor of Choice
Business Partner of Choice
Investment of Choice

Cautionary Statement

- These slides should be read in conjunction with comments from the July 21, 2022 conference call. The financial statement information included herein is unaudited.
- Statements made during the July 21, 2022 conference call and/or information included in this presentation may contain statements, including earnings projections, that are forward-looking in nature and, accordingly, are subject to risks and uncertainties regarding Snap-on's expected results; actual results may differ materially from those described or contemplated in these forward-looking statements. Factors that may cause actual results to differ materially from those contained in the forward-looking statements, including those found in Snap-on's reports filed with the Securities and Exchange Commission, and the information under "Safe Harbor" and "Risk Factors" headings in its most recent Annual Report on Form 10-K, which are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the July 21, 2022 conference call and/or included in this presentation, except as required by law.
- This presentation includes certain non-GAAP measures of financial performance, which are not meant to be considered in isolation or as a substitute for their GAAP counterparts. Additional information regarding these non-GAAP measures is included in Snap-on's July 21, 2022 press release and Form 8-K, which can be found on the company's website in the investors section at www.snapon.com.



Nick Pinchuk

**Chairman and
Chief Executive Officer**



Aldo Pagliari

**Senior Vice President and
Chief Financial Officer**

Consolidated Results

(\$ in millions, except per share data - unaudited)	Q2 2022		Q2 2021		Change
	\$	%	\$	%	
Net sales	\$ 1,136.6		\$ 1,081.4		5.1 %
➤ Organic sales	87.6				8.4 %
➤ Currency translation	(32.4)				(3.3)%
Gross profit	\$ 553.5	48.7 %	\$ 543.1	50.2 %	
Operating expenses	306.9	27.0 %	326.0	30.1 %	
Operating earnings before financial services	\$ 246.6	21.7 %	\$ 217.1	20.1 %	13.6 %
Financial services revenue	\$ 86.4		\$ 86.9		(0.6)%
Financial services operating earnings	65.3		68.9		(5.2)%
Operating earnings	\$ 311.9	25.5 %	\$ 286.0	24.5 %	9.1 %
Diluted EPS – as reported	\$ 4.27		\$ 3.76		13.6 %

- Net sales in the period increased 5.1% from \$1,081.4 million in 2021, reflecting an 8.4% organic sales gain, and \$32.4 million of unfavorable foreign currency translation
- Gross margin of 48.7% declined 150 basis points (bps) from 50.2% last year primarily due to higher material and other costs, partially offset by higher sales volumes and pricing actions, benefits from the company's Rapid Continuous Improvement ("RCI") initiatives, and 30 bps of favorable foreign currency effects
- Operating expenses as a percentage of sales of 27.0% improved 310 bps from 30.1% last year primarily due to higher sales volumes, savings from RCI initiatives, and lower costs associated with stock-based expenses
- As a percentage of net sales, operating earnings before financial services of 21.7% improved 160 bps from 20.1% last year

Commercial & Industrial

<i>(\$ in millions - unaudited)</i>	Q2 2022	Q2 2021	Change
Segment sales	\$ 359.1	\$ 350.5	2.5 %
➤ Organic sales	25.3		7.6 %
➤ Currency translation	(16.7)		(5.1)%
Gross profit	\$ 133.8	\$ 138.5	
% of sales	37.3 %	39.5 %	
Operating expenses	\$ 82.1	\$ 83.0	
% of sales	22.9 %	23.7 %	
Operating earnings	\$ 51.7	\$ 55.5	
% of sales	14.4 %	15.8 %	(140)bps

- Organic sales up \$25.3 million, or 7.6%, primarily reflecting double-digit gains in the segment's European-based hand tools business and Asia Pacific operations, as well as a mid single-digit increase in sales to customers in critical industries
- Gross margin of 37.3% declined 220 bps from 2021 primarily due to increased material and other costs, partially offset by benefits from the higher sales volumes and pricing actions, as well as from the segment's RCI initiatives
- Operating expenses as a percentage of sales of 22.9% improved 80 bps from 23.7% last year primarily due to the effects of higher sales volumes
- Operating earnings of \$51.7 million, including \$2.0 million of unfavorable foreign currency effects, decreased \$3.8 million, or 6.8%, compared to \$55.5 million in 2021; the operating margin of 14.4% compared to 15.8% last year

Snap-on Tools

<i>(\$ in millions - unaudited)</i>	Q2 2022	Q2 2021	Change
Segment sales	\$ 520.6	\$ 484.1	7.5 %
➤ Organic sales	44.2		9.3 %
➤ Currency translation	(7.7)		(1.8)%
Gross profit	\$ 239.5	\$ 226.5	
% of sales	46.0 %	46.8 %	
Operating expenses	\$ 115.1	\$ 123.0	
% of sales	22.1 %	25.4 %	
Operating earnings	\$ 124.4	\$ 103.5	
% of sales	23.9 %	21.4 %	250 bps

- Organic sales up \$44.2 million, or 9.3%, reflecting a double-digit gain in the segment's U.S. franchise business and a low single-digit increase in the segment's international operations
- Gross margin of 46.0% declined 80 bps from 46.8% last year primarily due to increased material and other costs and 10 bps of unfavorable foreign currency effects, partially offset by benefits from higher sales volumes and pricing actions
- Operating expenses as a percentage of sales of 22.1% improved 330 bps from last year and included the effects of lower expenses related to the company's franchisee stock purchase plan, benefits from higher sales volumes, and savings associated with RCI initiatives
- Operating earnings of \$124.4 million, including \$2.2 million of unfavorable foreign currency effects, increased \$20.9 million, or 20.2%, from 2021; the operating margin of 23.9% compared to 21.4% last year

Repair Systems & Information

(\$ in millions - unaudited)	Q2 2022	Q2 2021	Change
Segment sales	\$ 416.8	\$ 398.6	4.6 %
➤ Organic sales	27.4		7.0 %
➤ Currency translation	(9.2)		(2.4)%
Gross profit	\$ 180.2	\$ 178.1	
% of sales	43.2 %	44.7 %	
Operating expenses	\$ 84.5	\$ 91.4	
% of sales	20.2 %	22.9 %	
Operating earnings	\$ 95.7	\$ 86.7	
% of sales	23.0 %	21.8 %	120 bps

- Organic sales up \$27.4 million, or 7.0%, reflecting a double-digit increase in sales of undercar equipment and a low single-digit gain in sales of diagnostic and repair information products to independent repair shop owners and managers, while activity with OEM dealerships was essentially flat
- Gross margin of 43.2% declined 150 bps from last year primarily due to higher material and other costs, and increased sales in lower gross margin businesses; these declines were partially offset by benefits from pricing actions and savings from RCI initiatives, as well as 50 bps of favorable foreign currency effects
- Operating expenses as a percentage of sales of 20.2% improved 270 bps from last year primarily due to benefits from sales volume leverage, including higher activity in lower expense businesses, and savings from RCI initiatives
- Operating earnings of \$95.7 million, including \$1.2 million of favorable foreign currency effects, increased \$9.0 million, or 10.4%, from \$86.7 million in 2021; the operating margin of 23.0% compared to 21.8% last year

Financial Services

<i>(\$ in millions - unaudited)</i>	Q2 2022	Q2 2021	Change
Segment revenue	\$ 86.4	\$ 86.9	(0.6)%
Operating earnings	\$ 65.3	\$ 68.9	(5.2)%
Originations	\$ 307.6	\$ 285.8	7.6 %

- Originations increased \$21.8 million or 7.6%
- Average yield on finance receivables was 17.5% in both years
- Average yield on contract receivables was 8.5% in both years

Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,539.6	\$ 1,924.7	\$ 195.7	\$ 275.6
Portfolio net losses (TTM)	\$ 37.7	\$ 39.2	\$ 2.7	\$ 3.1
60+ Delinquency:				
As of 6/30/22	1.4 %	1.1 %	0.8 %	0.9 %
As of 3/31/22	1.6 %	1.3 %	0.8 %	0.9 %
As of 12/31/21	1.6 %	1.3 %	0.6 %	0.7 %
As of 9/30/21	1.4 %	1.2 %	0.6 %	0.6 %
As of 6/30/21	1.2 %	1.0 %	0.6 %	0.6 %

- Gross finance portfolio of \$2,200.3 million as of Q2 2022
 - Q2 portfolio growth of \$24.4 million
 - Compares to \$2,204.0 million as of 2021 year end

- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	2 nd Quarter		June YTD	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 140.8	\$ 238.2	\$ 334.7	\$ 557.5
➤ Net earnings	237.2	213.2	459.9	410.8
➤ Depreciation and amortization	25.4	25.5	51.1	50.2
➤ Changes in deferred income taxes	(9.4)	1.7	(7.1)	4.0
➤ Changes in working investment	(64.3)	23.4	(155.0)	39.4
➤ Changes in accruals and other liabilities	(43.8)	(37.0)	(37.9)	11.7
➤ Changes in all other operating activities	(4.3)	11.4	23.7	41.4
Net increase in finance receivables	\$ (53.5)	\$ (18.7)	\$ (43.4)	\$ (6.6)
Capital expenditures	\$ (21.3)	\$ (18.3)	\$ (41.5)	\$ (37.6)
Free cash flow	\$ 66.0	\$ 201.2	\$ 249.8	\$ 513.3
Free cash flow from Operations	\$ 75.4	\$ 183.3	\$ 183.0	\$ 426.4
Free cash flow from Financial Services	\$ (9.4)	\$ 17.9	\$ 66.8	\$ 86.9
Increase (decrease) in cash	\$ (48.2)	\$ 61.3	\$ 32.9	\$ 42.5

- Changes in working investment – Net changes in trade and other accounts receivable, inventory and accounts payable
- Free cash flow – Net cash provided by operating activities less net change in finance receivables and capital expenditures
- Free cash flow from operations – Net cash provided by operating activities, exclusive of financial services, less capital expenditures
- Free cash flow from financial services – Net cash provided by financial services operating activities, less net change in finance receivables and capital expenditures

Balance Sheet

<i>(\$ in millions - unaudited)</i>	July 2, 2022	January 1, 2022
Trade & Other Accounts Receivable - net	\$ 729.1	\$ 682.3
Days Sales Outstanding	60	58
Finance Receivables - net	\$ 1,674.0	\$ 1,656.3
Contract Receivables - net	\$ 473.7	\$ 488.6
Inventory - net	\$ 893.3	\$ 803.8
Inventory turns - TTM	2.7	2.8
Cash	\$ 812.9	\$ 780.0
Total debt	\$ 1,202.2	\$ 1,200.3
Net debt	\$ 389.3	\$ 420.3
Net debt to capital ratio	8.3 %	9.1 %

Snap-on[®]

MAKERS
+
FIXERS[™]