



Quarterly Financial Review

Third Quarter 2020

Snap-on®

CAUTIONARY STATEMENT

- These slides should be read in conjunction with comments from the October 22, 2020 conference call. The financial statement information included herein is unaudited.
- Statements made during the October 22, 2020 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 and any Quarterly Reports on Form 10-Q, which all are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the October 22, 2020 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 October 22, 2020 press release and Form 8-K, which can be found on the company's website in the investors section at www.snapon.com.

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



Nick Pinchuk

**Chairman &
Chief Executive Officer**



Aldo Pagliari

**Senior Vice President &
Chief Financial Officer**

CONSOLIDATED RESULTS – 3RD QUARTER

(\$ in millions, except per share data - unaudited)	2020		2019		Change
	\$	%	\$	%	
Net sales	\$ 941.6		\$ 901.8		4.4 %
➤ Organic sales	34.6				3.8 %
➤ Acquisitions	1.0				0.1 %
➤ Currency translation	4.2				0.5 %
Gross profit	\$ 469.5	49.9 %	\$ 448.1	49.7 %	
Operating expenses	283.8	30.2 %	280.4	31.1 %	
Operating earnings before financial services	\$ 185.7	19.7 %	\$ 167.7	18.6 %	10.7 %
Financial services revenue	\$ 85.8		\$ 84.1		2.0 %
Financial services operating earnings	65.6		61.0		7.5 %
Operating earnings	\$ 251.3	24.5 %	\$ 228.7	23.2 %	9.9 %
Diluted EPS	\$ 3.28		\$ 2.96		10.8 %

- Gross margin of 49.9% improved 20 basis points (bps) from 49.7% last year primarily due to the impact of higher sales volumes and benefits from Rapid Continuous Improvement (“RCI”) initiatives, partially offset by 50 bps of unfavorable foreign currency effects
- Operating expense margin of 30.2% improved 90 bps from 31.1% last year primarily due to the impact of higher sales volumes and savings from cost containment actions in response to COVID-19
- As a percentage of net sales, operating earnings before financial services of 19.7%, including 20 bps of direct COVID-19-related costs, and 60 bps of unfavorable foreign currency effects, improved 110 bps from 18.6% last year

COMMERCIAL & INDUSTRIAL – 3RD QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment sales	\$ 308.4	\$ 335.3	(8.0)%
➤ Organic sales	(29.1)		(8.6)%
➤ Currency translation	2.2		0.6 %
Gross profit	\$ 114.9	\$ 127.0	
% of sales	37.3 %	37.9 %	
Operating expenses	\$ 71.8	\$ 78.7	
% of sales	23.3 %	23.5 %	
Operating earnings	\$ 43.1	\$ 48.3	
% of sales	14.0 %	14.4 %	(40) bps

- Organic sales down \$29.1 million or 8.6%
 - Decrease includes a low-teen decline in both sales to customers in critical industries and in the segment's Asia Pacific operations, while sales in the segment's European-based hand tools business were essentially flat
 - Excludes \$2.2 million of favorable currency translation
- Gross margin of 37.3% declined 60 bps from 2019 primarily due to the impact of decreased sales volumes, including lower utilization of manufacturing capacity, 10 bps of direct COVID-19-related costs and 50 bps of unfavorable foreign currency effects, partially offset by material cost savings and benefits from RCI initiatives
- The operating expense margin of 23.3% improved 20 bps from last year
- Operating earnings of \$43.1 million, including \$0.8 million of direct COVID-19-related costs and \$1.4 million of unfavorable foreign currency effects, compared to \$48.3 million in 2019; operating margin of 14.0% compared to 14.4% last year

SNAP-ON TOOLS – 3RD QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment sales	\$ 449.8	\$ 385.2	16.8 %
➤ Organic sales	62.8		16.2 %
➤ Currency translation	1.8		0.6 %
Gross profit	\$ 204.5	\$ 167.2	
% of sales	45.5 %	43.4 %	
Operating expenses	\$ 117.4	\$ 114.2	
% of sales	26.1 %	29.6 %	
Operating earnings	\$ 87.1	\$ 53.0	
% of sales	19.4 %	13.8 %	560 bps

- Organic sales up \$62.8 million, or 16.2%, primarily reflecting a mid-teen gain in the U.S. franchise operations and an approximately 20% increase in the segment's international operations
- Gross margin of 45.5%, increased 210 bps from 43.4% last year, primarily due to higher sales volumes and benefits from RCI initiatives, partially offset by 70 bps of unfavorable foreign currency effects
- The operating expense margin of 26.1% improved 350 bps from last year primarily due to the impact of higher sales volumes and savings from cost containment actions, including travel and meeting-related expenses
- Operating earnings of \$87.1 million, including \$0.4 million of direct costs associated with COVID-19 and \$2.9 million of unfavorable foreign currency effects, compared to \$53.0 million in 2019, and the operating margin of 19.4% compared to 13.8% last year

REPAIR SYSTEMS & INFORMATION – 3RD QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment sales	\$ 317.5	\$ 322.7	(1.6)%
➤ Organic sales	(7.0)		(2.2)%
➤ Acquisitions	1.0		0.3 %
➤ Currency translation	0.8		0.3 %
Gross profit	\$ 150.1	\$ 153.9	
% of sales	47.3 %	47.7 %	
Operating expenses	\$ 70.0	\$ 70.6	
% of sales	22.1 %	21.9 %	
Operating earnings	\$ 80.1	\$ 83.3	
% of sales	25.2 %	25.8 %	(60) bps

- Organic sales down \$7.0 million
 - Lower volume includes a high single-digit decline in sales to OEM dealerships, partially offset by a low-single digit increase in sales of diagnostic and repair information products to independent repair shop owners and managers
 - Excludes \$1.0 million of acquisition-related sales and \$0.8 million of favorable foreign currency translation
- Gross margin of 47.3%, including 10 bps of unfavorable foreign currency effects, declined 40 bps from 47.7% last year
- The operating expense margin of 22.1%, including 10 bps of unfavorable foreign currency effects, increased 20 bps from 21.9% last year
- Operating earnings of \$80.1 million, including \$0.2 million of direct costs associated with COVID-19 and \$0.2 million of unfavorable foreign currency effects, compared to \$83.3 million last year; the operating margin of 25.2% compared to 25.8% last year

FINANCIAL SERVICES – 3RD QUARTER

<i>(\$ in millions - unaudited)</i>	2020	2019	Change
Segment revenue	\$ 85.8	\$ 84.1	2.0 %
Operating earnings	\$ 65.6	\$ 61.0	7.5 %
Originations	\$ 252.8	\$ 253.5	(0.3)%

- Originations decreased \$0.7 million or 0.3%
- Average yield on finance receivables of 17.8% compared to 17.7% last year
- Average yield on contract receivables of 8.4% compared to 9.2% last year

FINANCIAL SERVICES PORTFOLIO DATA

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,536.7	\$ 1,931.1	\$ 192.8	\$ 267.3
Portfolio net losses (TTM)	\$ 43.9	\$ 46.5	\$ 2.8	\$ 3.7
60+ Delinquency:				
As of 9/30/20	1.5 %	1.2 %	0.6 %	0.8 %
As of 6/30/20	1.0 %	0.8 %	0.7 %	1.0 %
As of 3/31/20	1.7 %	1.4 %	0.8 %	1.0 %
As of 12/31/19	1.8 %	1.5 %	0.7 %	0.9 %
As of 9/30/19	1.7 %	1.4 %	0.7 %	0.8 %

- Gross finance portfolio of \$2,198.4 million as of September 30, 2020
 - YTD portfolio growth of \$59.5 million
 - Q3 portfolio growth of \$25.0 million

- TTM – Trailing twelve months

CASH FLOWS

(\$ in millions - unaudited)	3 rd Quarter		September YTD	
	2020	2019	2020	2019
Net cash provided by operating activities	\$ 224.0	\$ 131.1	\$ 691.0	\$ 477.9
➤ Net earnings	184.7	169.2	432.6	536.2
➤ Depreciation and amortization	23.9	22.9	71.5	68.5
➤ Changes in deferred income taxes	(6.6)	(1.7)	(8.5)	10.7
➤ Changes in working investment	(7.2)	(64.2)	65.2	(96.5)
➤ Changes in accruals and other liabilities	5.9	(11.1)	85.2	(80.8)
➤ Changes in all other operating activities	23.3	16.0	45.0	39.8
Net increase in finance receivables	\$ (11.7)	\$ (15.4)	\$ (68.8)	\$ (63.0)
Capital expenditures	\$ (10.1)	\$ (29.6)	\$ (39.1)	\$ (77.8)
Free cash flow	\$ 202.2	\$ 86.1	\$ 583.1	\$ 337.1
Free cash flow from Operations	\$ 197.4	\$ 71.0	\$ 534.2	\$ 283.5
Free cash flow from Financial Services	\$ 4.8	\$ 15.1	\$ 48.9	\$ 53.6
Increase in cash	\$ 101.3	\$ 3.5	\$ 603.0	\$ 26.6

- 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>	September 26, 2020	December 28, 2019
Trade & Other Accounts Receivable - net	\$ 618.9	\$ 694.6
Days Sales Outstanding	64	67
Finance Receivables - net	\$ 1,654.4	\$ 1,633.6
Contract Receivables - net	\$ 480.5	\$ 460.8
Inventory - net	\$ 764.4	\$ 760.4
Inventory turns - TTM	2.4	2.6
Cash	\$ 787.5	\$ 184.5
Total debt	\$ 1,449.7	\$ 1,149.8
Net debt	\$ 662.2	\$ 965.3
Net debt to capital ratio	15.5 %	22.1 %

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	3 rd Quarter		September YTD	
	2020	2019	2020	2019
Charges associated with exit and disposal activities (“restructuring charges”)				
Pre-tax restructuring charges	\$ -	\$ -	\$ (11.5)	\$ -
Income tax benefits	<u>-</u>	<u>-</u>	<u>2.2</u>	<u>-</u>
Restructuring charges, after tax	\$ -	\$ -	\$ (9.3)	\$ -
Weighted-average shares outstanding – diluted	54.8	55.7	54.9	56.0
Diluted EPS – restructuring charges	\$ -	\$ -	\$ (0.17)	\$ -
Benefit related to the settlement of a litigation matter (“legal settlement”)				
Pre-tax legal settlement	\$ -	\$ -	\$ -	\$ 11.6
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.9)</u>
Legal settlement, after tax	\$ -	\$ -	\$ -	\$ 8.7
Weighted-average shares outstanding – diluted	54.8	55.7	54.9	56.0
Diluted EPS – legal settlement	\$ -	\$ -	\$ -	\$ 0.15

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	3 rd Quarter		September YTD	
	2020	2019	2020	2019
Operating earnings before financial services				
As reported	\$ 185.7	\$ 167.7	\$ 415.7	\$ 545.0
Restructuring charges	-	-	11.5	-
Legal settlement	-	-	-	(11.6)
As adjusted	\$ 185.7	\$ 167.7	\$ 427.2	\$ 533.4
Operating earnings before financial services as a percentage of sales				
As reported	19.7%	18.6%	16.5%	19.6%
As adjusted	19.7%	18.6%	17.0%	19.2%
Operating earnings				
As reported	\$ 251.3	\$ 228.7	\$ 595.8	\$ 728.7
Restructuring charges	-	-	11.5	-
Legal settlement	-	-	-	(11.6)
As adjusted	\$ 251.3	\$ 228.7	\$ 607.3	\$ 717.1
Operating earnings as a percentage of revenue				
As reported	24.5%	23.2%	21.5%	24.1%
As adjusted	24.5%	23.2%	21.9%	23.7%

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	3 rd Quarter		September YTD	
	2020	2019	2020	2019
Net earnings attributable to Snap-on Incorporated				
As reported	\$ 179.7	\$ 164.6	\$ 418.1	\$ 522.9
Restructuring charges, after tax	-	-	9.3	-
Legal settlement, after tax	-	-	-	(8.7)
As adjusted	\$ 179.7	\$ 164.6	\$ 427.4	\$ 514.2
Diluted EPS				
As reported	\$ 3.28	\$ 2.96	\$ 7.62	\$ 9.34
Restructuring charges, after tax	-	-	0.17	-
Legal settlement, after tax	-	-	-	(0.15)
As adjusted	\$ 3.28	\$ 2.96	\$ 7.79	\$ 9.19
Effective tax rate				
As reported	23.4 %	23.5 %	23.8 %	23.8 %
Restructuring charges	-	-	(0.1)%	-
Legal settlement	-	-	-	-
As adjusted	23.4 %	23.5 %	23.7 %	23.8 %



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