

Quarterly Financial Review

Fourth Quarter 2021



Cautionary Statement

- These slides should be read in conjunction with comments from the February 3, 2022 conference call. The financial statement information included herein is unaudited.
- Statements made during the February 3, 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 February 3, 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 February 3, 2022 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

| (\$ in millions, except per share data - unaudited) | Q4 2021 | | Q4 2020 | | Change |
|---|------------|--------|------------|--------|--------|
| | \$ | % | \$ | % | |
| Net sales | \$ 1,108.3 | | \$ 1,074.4 | | 3.2 % |
| ➤ Organic sales | 24.7 | | | | 2.3 % |
| ➤ Acquisitions | 12.2 | | | | 1.1 % |
| ➤ Currency translation | (3.0) | | | | (0.2)% |
| Gross profit | \$ 533.4 | 48.1 % | \$ 516.2 | 48.0 % | |
| Operating expenses | 301.2 | 27.1 % | 300.0 | 27.9 % | |
| Operating earnings before financial services | \$ 232.2 | 21.0 % | \$ 216.2 | 20.1 % | 7.4 % |
| Financial services revenue | \$ 86.9 | | \$ 93.4 | | (7.0)% |
| Financial services operating earnings | 67.2 | | 68.5 | | (1.9)% |
| Operating earnings | \$ 299.4 | 25.1 % | \$ 284.7 | 24.4 % | 5.2 % |
| Diluted EPS – as reported | \$ 4.10 | | \$ 3.82 | | 7.3 % |

- Net sales in the period increased 3.2% from \$1,074.4 million in 2020, reflecting a 2.3% organic sales gain, \$12.2 million of acquisition-related sales, and \$3.0 million of unfavorable foreign currency translation
- As compared to the fourth quarter of 2019, net sales in the period increased 16.0% from \$955.2 million, reflecting a 13.0% organic sales gain, \$20.9 million of acquisition-related sales, and \$7.1 million of favorable foreign currency translation
- Gross margin of 48.1% improved 10 basis points (bps) from 48.0% last year primarily due to higher sales volumes, pricing actions, 30 bps of favorable foreign currency effects, and benefits from the company's Rapid Continuous Improvement ("RCI") initiatives, which offset higher material and other costs
- Operating expenses as a percentage of sales of 27.1% improved 80 bps from 27.9% last year primarily due to higher sales volumes and 10 bps from lower costs related to restructuring actions in 2020, partially offset by 40 bps of unfavorable acquisition effects
- As a percentage of net sales, operating earnings before financial services of 21.0% compared to 20.1% last year

Commercial & Industrial

| <i>(\$ in millions - unaudited)</i> | Q4 2021 | Q4 2020 | Change |
|-------------------------------------|----------------|----------------|---------------|
| Segment sales | \$ 358.7 | \$ 364.4 | (1.6)% |
| ➤ Organic sales | (1.6) | | (0.4)% |
| ➤ Currency translation | (4.1) | | (1.2)% |
| Gross profit | \$ 130.9 | \$ 137.8 | |
| % of sales | 36.5 % | 37.8 % | |
| Operating expenses | \$ 80.8 | \$ 81.6 | |
| % of sales | 22.5 % | 22.4 % | |
| Operating earnings | \$ 50.1 | \$ 56.2 | |
| % of sales | 14.0 % | 15.4 % | (140)bps |

- Organic sales down \$1.6 million, or 0.4%, primarily reflecting a decline in sales to customers in critical industries
- As compared to the fourth quarter of 2019, net sales in the period increased 1.6% from \$352.9 million, reflecting a \$6.7 million organic sales decline, offset by \$8.7 million of acquisition-related sales, and \$3.8 million of favorable foreign currency translation
- Gross margin of 36.5% declined 130 bps from 2020 primarily due to higher material and other costs and 10 bps of unfavorable foreign currency effects, partially offset by benefits from RCI initiatives
- Operating expenses as a percentage of sales of 22.5% increased 10 bps from 22.4% last year
- Operating earnings of \$50.1 million, including \$1.2 million of unfavorable foreign currency effects, decreased \$6.1 million, or 10.9%, compared to \$56.2 million in 2020; the operating margin of 14.0% compared to 15.4% last year

Snap-on Tools

| <i>(\$ in millions - unaudited)</i> | Q4 2021 | Q4 2020 | Change |
|-------------------------------------|----------------|----------------|---------------|
| Segment sales | \$ 504.8 | \$ 494.9 | 2.0 % |
| ➤ Organic sales | 7.9 | | 1.6 % |
| ➤ Currency translation | 2.0 | | 0.4 % |
| Gross profit | \$ 221.5 | \$ 212.1 | |
| % of sales | 43.9 % | 42.9 % | |
| Operating expenses | \$ 111.0 | \$ 118.5 | |
| % of sales | 22.0 % | 24.0 % | |
| Operating earnings | \$ 110.5 | \$ 93.6 | |
| % of sales | 21.9 % | 18.9 % | 300 bps |

- Organic sales up \$7.9 million, or 1.6%, reflecting a low single-digit gain in the segment's U.S. franchise business, partially offset by a low single-digit decline in the segment's international operations
- As compared to the fourth quarter of 2019, net sales in the period increased 22.6% from \$411.7 million, reflecting a 21.5% organic sales gain and \$3.9 million of favorable foreign currency translation
- Gross margin of 43.9% improved 100 bps from 42.9% last year primarily due to higher sales volumes, pricing actions, and 60 bps of favorable foreign currency effects, which offset higher material and other costs
- Operating expenses as a percentage of sales of 22.0% improved 200 bps from last year primarily due to higher sales, as well as benefits from ongoing cost containment efforts
- Operating earnings of \$110.5 million, including \$3.6 million of favorable foreign currency effects, increased \$16.9 million, or 18.1%, from 2020; the operating margin of 21.9% compared to 18.9% last year

Repair Systems & Information

| (\$ in millions - unaudited) | Q4 2021 | Q4 2020 | Change |
|------------------------------|----------|----------|----------|
| Segment sales | \$ 392.5 | \$ 361.1 | 8.7 % |
| ➤ Organic sales | 19.7 | | 5.5 % |
| ➤ Acquisitions | 12.2 | | 3.3 % |
| ➤ Currency translation | (0.5) | | (0.1)% |
| Gross profit | \$ 181.0 | \$ 166.3 | |
| % of sales | 46.1 % | 46.1 % | |
| Operating expenses | \$ 83.8 | \$ 76.3 | |
| % of sales | 21.3 % | 21.2 % | |
| Operating earnings | \$ 97.2 | \$ 90.0 | |
| % of sales | 24.8 % | 24.9 % | (10) bps |

- Organic sales up \$19.7 million, or 5.5%
 - Reflects double-digit increases in sales of undercar equipment and a mid single-digit gain in sales of diagnostic and repair information products to independent repair shop owners and managers, partially offset by a low single-digit decrease in sales to OEM dealerships
- As compared to the fourth quarter of 2019, net sales in the period increased 17.2% from \$335.0 million, reflecting a 13.0% organic sales gain, \$12.2 million of acquisition-related sales, and \$1.6 million of favorable foreign currency translation
- Gross margin of 46.1% was unchanged from last year; benefits from pricing actions and 60 bps from acquisitions were offset by increased material and other costs
- Operating expenses as a percentage of sales of 21.3% increased 10 bps from last year primarily due 150 bps of unfavorable acquisition effects in 2021, partially offset by the impact of higher sales volumes and 30 bps from lower costs related to restructuring actions in 2020
- Operating earnings of \$97.2 million, including \$0.3 million of favorable foreign currency effects, increased \$7.2 million, or 8.0%, from \$90.0 million in 2020; the operating margin of 24.8% compared to 24.9% last year

Financial Services

| <i>(\$ in millions - unaudited)</i> | Q4 2021 | Q4 2020 | Change |
|-------------------------------------|----------------|----------------|---------------|
| Segment revenue | \$ 86.9 | \$ 93.4 | (7.0)% |
| Operating earnings | \$ 67.2 | \$ 68.5 | (1.9)% |
| | | | |
| Originations | \$ 256.3 | \$ 272.4 | (5.9)% |

- Originations decreased \$16.1 million or 5.9%
- Average yield on finance receivables of 17.7% in both years
- Average yield on contract receivables of 8.5% in both years

Financial Services Portfolio Data

| (\$ in millions - unaudited) | United States | | International | |
|------------------------------|-----------------|------------|-----------------|----------|
| | Extended Credit | Total | Extended Credit | Total |
| Gross finance portfolio | \$ 1,518.1 | \$ 1,915.7 | \$ 205.5 | \$ 288.3 |
| Portfolio net losses (TTM) | \$ 38.7 | \$ 39.8 | \$ 2.4 | \$ 2.7 |
| 60+ Delinquency: | | | | |
| 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 % |
| As of 3/31/21 | 1.6 % | 1.3 % | 0.6 % | 0.6 % |
| As of 12/31/20 | 1.8 % | 1.5 % | 0.7 % | 0.7 % |

- Gross finance portfolio of \$2,204.0 million as of January 1, 2022
 - Compares to \$2,219.2 million as of 2020 year end
 - Compares to \$2,214.1 as of Q3 2021

- TTM – Trailing twelve months

Cash Flows

| (\$ in millions - unaudited) | 4 th Quarter | | Full Year | |
|--|-------------------------|-----------------|-----------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net cash provided by operating activities | \$ 222.7 | \$ 317.6 | \$ 966.6 | \$ 1,008.6 |
| ➤ Net earnings | 229.1 | 213.8 | 841.4 | 646.4 |
| ➤ Depreciation and amortization | 29.7 | 25.2 | 104.8 | 96.7 |
| ➤ Changes in deferred income taxes | 5.0 | 0.3 | 8.4 | (8.2) |
| ➤ Changes in working investment | (50.3) | 34.7 | (80.0) | 99.9 |
| ➤ Changes in accruals and other liabilities | (19.7) | 10.4 | 14.3 | 95.6 |
| ➤ Changes in all other operating activities | 28.9 | 33.2 | 77.7 | 78.2 |
| Net increase in finance receivables | \$ (9.7) | \$ (15.9) | \$ (23.9) | \$ (84.7) |
| Capital expenditures | \$ (16.3) | \$ (26.5) | \$ (70.1) | \$ (65.6) |
| Free cash flow | \$ 196.7 | \$ 275.2 | \$ 872.6 | \$ 858.3 |
| Free cash flow from Operations | \$ 156.5 | \$ 238.9 | \$ 719.0 | \$ 773.1 |
| Free cash flow from Financial Services | \$ 40.2 | \$ 36.3 | \$ 153.6 | \$ 85.2 |
| Increase (decrease) in cash | \$ 44.5 | \$ 135.9 | \$ (143.4) | \$ 738.9 |

- 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> | January 1, 2022 | January 2, 2021 |
|---|----------------------------|----------------------------|
| Trade & Other Accounts Receivable - net | \$ 682.3 | \$ 640.7 |
| Days Sales Outstanding | 58 | 64 |
| Finance Receivables - net | \$ 1,656.3 | \$ 1,666.5 |
| Contract Receivables - net | \$ 488.6 | \$ 487.2 |
| Inventory - net | \$ 803.8 | \$ 746.5 |
| Inventory turns - TTM | 2.8 | 2.4 |
| Cash | \$ 780.0 | \$ 923.4 |
| Total debt | \$ 1,200.3 | \$ 1,450.6 |
| Net debt | \$ 420.3 | \$ 527.2 |
| Net debt to capital ratio | 9.1 % | 12.1 % |

Reconciliation of Non-GAAP Financial Measures

| AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i> | 4 th Quarter | | Full Year | |
|---|-------------------------|------------|-----------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Charges associated with exit and disposal activities (“restructuring charges”) | | | | |
| Pre-tax restructuring charges | \$ - | \$ (1.0) | \$ - | \$ (12.5) |
| Income tax benefits | <u>-</u> | <u>-</u> | <u>-</u> | <u>2.2</u> |
| Restructuring charges, after tax | \$ - | \$ (1.0) | \$ - | \$ (10.3) |
| Weighted-average shares outstanding – diluted | 54.5 | 54.7 | 55.0 | 54.8 |
| Diluted EPS – restructuring charges | \$ - | \$ (0.02) | \$ - | \$ (0.19) |
| ADJUSTED INFORMATION – NON-GAAP | | | | |
| Operating earnings before financial services | | | | |
| As reported | \$ 232.2 | \$ 216.2 | \$ 851.5 | \$ 631.9 |
| Restructuring charges | <u>-</u> | <u>1.0</u> | <u>-</u> | <u>12.5</u> |
| As adjusted | \$ 232.2 | \$ 217.2 | \$ 851.5 | \$ 644.4 |
| Operating earnings before financial services as a percentage of sales | | | | |
| As reported | 21.0% | 20.1% | 20.0% | 17.6% |
| As adjusted | 21.0% | 20.2% | 20.0% | 17.9% |

Reconciliation of Non-GAAP Financial Measures

| ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions, except per share data - unaudited)</i> | 4 th Quarter | | Full Year | |
|---|-------------------------|---------------|------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Operating earnings | | | | |
| As reported | \$ 299.4 | \$ 284.7 | \$ 1,123.5 | \$ 880.5 |
| Restructuring charges | <u>-</u> | <u>1.0</u> | <u>-</u> | <u>12.5</u> |
| As adjusted | \$ 299.4 | \$ 285.7 | \$ 1,123.5 | \$ 893.0 |
| Operating earnings as a percentage of revenue | | | | |
| As reported | 25.1% | 24.4% | 24.4% | 22.3% |
| As adjusted | 25.1% | 24.5% | 24.4% | 22.6% |
| Net earnings attributable to Snap-on Incorporated | | | | |
| As reported | \$ 223.7 | \$ 208.9 | \$ 820.5 | \$ 627.0 |
| Restructuring charges, after tax | <u>-</u> | <u>1.0</u> | <u>-</u> | <u>10.3</u> |
| As adjusted | \$ 223.7 | \$ 209.9 | \$ 820.5 | \$ 637.3 |
| Diluted EPS | | | | |
| As reported | \$ 4.10 | \$ 3.82 | \$ 14.92 | \$ 11.44 |
| Restructuring charges, after tax | <u>-</u> | <u>0.02</u> | <u>-</u> | <u>0.19</u> |
| As adjusted | \$ 4.10 | \$ 3.84 | \$ 14.92 | \$ 11.63 |
| Effective tax rate | | | | |
| As reported | 22.3 % | 21.8 % | 23.2 % | 23.2 % |
| Restructuring charges | <u>-</u> | <u>(0.1)%</u> | <u>-</u> | <u>(0.1)%</u> |
| As adjusted | 22.3 % | 21.7 % | 23.2 % | 23.1 % |



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