



Snap-on

Quarterly Financial Review

Third Quarter 2023

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 October 19, 2023 conference call. The financial statement information included herein is unaudited.
- Statements made during the October 19, 2023 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 October 19, 2023 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 19, 2023 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)	Q3 2023		Q3 2022		Change
	\$	%	\$	%	
Net sales	\$ 1,159.3		\$ 1,102.5		5.2 %
➤ Organic sales	52.4				4.7 %
➤ Currency translation	4.4				0.5 %
Gross profit	\$ 578.2	49.9 %	\$ 532.6	48.3 %	
Operating expenses	333.0	28.7 %	309.1	28.0 %	
Operating earnings before financial services	\$ 245.2	21.2 %	\$ 223.5	20.3 %	9.7 %
Financial services revenue	\$ 94.9		\$ 87.3		8.7 %
Financial services operating earnings	69.4		66.4		4.5 %
Operating earnings	\$ 314.6	25.1 %	\$ 289.9	24.4 %	8.5 %
Diluted EPS – as reported	\$ 4.51		\$ 4.14		8.9 %

- Net sales of \$1,159.3 million in the period represented an increase of \$56.8 million, or 5.2%, from 2022 levels, reflecting a 4.7% organic sales gain and \$4.4 million of favorable foreign currency translation
- Gross margin improved 160 basis points (bps) to 49.9% from 48.3% last year primarily due to increased sales volumes and pricing actions, lower material and other costs, and benefits from the company's Rapid Continuous Improvement ("RCI") initiatives, partially offset by 50 bps of unfavorable foreign currency effects
- Operating expenses as a percentage of sales increased 70 bps to 28.7% from 28.0% last year primarily due to increased personnel and other costs
- As a percentage of net sales, operating earnings before financial services improved 90 bps to 21.2% from 20.3% last year

Commercial & Industrial

<i>(\$ in millions - unaudited)</i>	Q3 2023	Q3 2022	Change
Segment sales	\$ 366.4	\$ 356.8	2.7 %
➤ Organic sales	11.2		3.2 %
➤ Currency translation	(1.6)		(0.5)%
Gross profit	\$ 143.0	\$ 131.8	
% of sales	39.0 %	36.9 %	
Operating expenses	\$ 84.9	\$ 79.5	
% of sales	23.1 %	22.2 %	
Operating earnings	\$ 58.1	\$ 52.3	
% of sales	15.9 %	14.7 %	120 bps

- Organic sales up \$11.2 million, or 3.2%, primarily reflecting a double-digit gain in sales to customers in critical industries partially offset by a double-digit decline in the segment's Asia Pacific operations
- Gross margin improved 210 bps to 39.0% from 2022 primarily due to increased sales volumes in the higher-gross-margin critical industry sector, pricing actions, and benefits from RCI initiatives, partially offset by 60 bps of unfavorable foreign currency effects
- Operating expenses as a percentage of sales increased 90 bps to 23.1% from 22.2% last year primarily due to increased sales in higher-expense businesses, as well as increased personnel and other costs
- Operating earnings of \$58.1 million, including \$2.9 million of unfavorable foreign currency effects, reflected an increase of \$5.8 million, or 11.1%, compared to \$52.3 million in 2022; the operating margin improved 120 bps to 15.9% from last year

Snap-on Tools

<i>(\$ in millions - unaudited)</i>	Q3 2023	Q3 2022	Change
Segment sales	\$ 515.4	\$ 496.6	3.8 %
➤ Organic sales	18.3		3.7 %
➤ Currency translation	0.5		0.1 %
Gross profit	\$ 238.6	\$ 223.2	
% of sales	46.3 %	44.9 %	
Operating expenses	\$ 125.2	\$ 121.0	
% of sales	24.3 %	24.3 %	
Operating earnings	\$ 113.4	\$ 102.2	
% of sales	22.0 %	20.6 %	140 bps

- Organic sales up \$18.3 million, or 3.7%, reflecting a double-digit gain in the segment's international operations and a low single-digit increase in the U.S. operations
- Gross margin improved 140 bps to 46.3% from 44.9% last year primarily reflecting increased sales volumes and pricing actions, and benefits from the segment's RCI initiatives, partially offset by 50 bps of unfavorable foreign currency effects
- Operating expenses as a percentage of sales was unchanged from last year with benefits from higher sales volumes offset by increased personnel and other costs
- Operating earnings of \$113.4 million, including \$2.7 million of unfavorable foreign currency effects, reflected an increase of \$11.2 million, or 11.0%, from 2022; the operating margin improved 140 bps to 22.0% from last year

Repair Systems & Information

(\$ in millions - unaudited)	Q3 2023	Q3 2022	Change
Segment sales	\$ 431.8	\$ 414.0	4.3 %
➤ Organic sales	13.0		3.1 %
➤ Currency translation	4.8		1.2 %
Gross profit	\$ 196.6	\$ 177.6	
% of sales	45.5 %	42.9 %	
Operating expenses	\$ 91.7	\$ 82.2	
% of sales	21.2 %	19.9 %	
Operating earnings	\$ 104.9	\$ 95.4	
% of sales	24.3 %	23.0 %	130 bps

- Organic sales up \$13.0 million, or 3.1 %, reflecting a high single-digit gain in sales of undercar equipment, a low single-digit increase in sales of diagnostic and repair information products to independent repair shop owners and managers, partially offset by a low single-digit decline in activity with OEM dealerships
- Gross margin improved 260 bps to 45.5% from last year primarily due to lower material and other costs, increased sales volumes, and savings from RCI initiatives
- Operating expenses as a percentage of sales increased 130 bps to 21.2% from last year primarily due to increased personnel and other costs
- Operating earnings of \$104.9 million, including \$0.2 million of favorable foreign currency effects, reflected an increase of \$9.5 million, or 10.0%, from \$95.4 million in 2022; the operating margin improved 130 bps to 24.3% compared to 23.0% last year

Financial Services

<i>(\$ in millions - unaudited)</i>	Q3 2023	Q3 2022	Change
Segment revenue	\$ 94.9	\$ 87.3	8.7 %
Operating earnings	\$ 69.4	\$ 66.4	4.5 %
Originations	\$ 305.2	\$ 300.2	1.7 %

- Originations increased \$5.0 million or 1.7%
- Average yield on finance receivables was 17.7% in both years
- Average yields on contract receivables were 8.8% and 8.6% in 2023 and 2022, respectively

Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,698.6	\$ 2,126.7	\$ 210.8	\$ 293.7
Portfolio net losses (TTM)	\$ 44.2	\$ 45.7	\$ 3.7	\$ 4.1
60+ Delinquency:				
As of 9/30/23	1.5 %	1.2 %	0.7 %	0.8 %
As of 6/30/23	1.3 %	1.1 %	0.8 %	0.9 %
As of 3/31/23	1.5 %	1.2 %	0.9 %	1.0 %
As of 12/31/22	1.6 %	1.3 %	0.8 %	1.1 %
As of 9/30/22	1.5 %	1.3 %	0.8 %	1.0 %

- Gross finance portfolio of \$2,420.4 million as of Q3 2023
 - Q3 portfolio growth of \$39.0 million
 - YTD portfolio growth of \$142.2 million

- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	3 rd Quarter		September YTD	
	2023	2022	2023	2022
Net cash provided by operating activities	\$ 285.4	\$ 129.9	\$ 857.3	\$ 464.6
➤ Net earnings	249.1	229.5	773.3	689.4
➤ Depreciation and amortization	24.6	24.4	74.3	75.5
➤ Changes in deferred income taxes	(7.3)	(7.0)	(16.5)	(14.1)
➤ Changes in working investment	(2.6)	(132.6)	(55.0)	(287.6)
➤ Changes in accruals and other liabilities	0.8	19.7	(7.7)	(18.2)
➤ Changes in all other operating activities	20.8	(4.1)	88.9	19.6
Net increase in finance receivables	\$ (35.1)	\$ (38.2)	\$ (153.3)	\$ (81.6)
Capital expenditures	\$ (25.1)	\$ (20.0)	\$ (73.9)	\$ (61.5)
Free cash flow	\$ 225.2	\$ 71.7	\$ 630.1	\$ 321.5
Free cash flow from Operations	\$ 231.4	\$ 80.8	\$ 651.2	\$ 263.8
Free cash flow from Financial Services	\$ (6.2)	\$ (9.1)	\$ (21.1)	\$ 57.7
Increase (decrease) in cash	\$ 88.0	\$ (53.6)	\$ 202.1	\$ (20.7)

- 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 30, 2023	December 31, 2022
Trade & Other Accounts Receivable - net	\$ 776.8	\$ 761.7
Days Sales Outstanding	60	61
Finance Receivables - net	\$ 1,843.4	\$ 1,733.0
Contract Receivables - net	\$ 519.5	\$ 493.7
Inventories - net	\$ 1,032.9	\$ 1,033.1
Inventory turns - TTM	2.4	2.5
Cash	\$ 959.3	\$ 757.2
Total debt	\$ 1,201.7	\$ 1,201.0
Net debt	\$ 242.4	\$ 443.8
Net debt to capital ratio	4.8 %	9.0 %



Snap-on®

MAKERS
+
FIXERS™