

Quarterly Financial Review

First Quarter 2019

Snap-on[®]



CAUTIONARY STATEMENT

- These slides should be read in conjunction with comments from the April 18, 2019 conference call. The financial statement information included herein is unaudited.
- Statements made during the April 18, 2019 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 are detailed in the corresponding press release and Form 8-K and in Snap-on's recent 1934 Act SEC filings, which are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the April 18, 2019 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 April 18, 2019 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

Snap-on[®]



Aldo Pagliari

**Senior Vice President &
Chief Financial Officer**

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CONSOLIDATED RESULTS – 1ST QUARTER

(\$ in millions, except per share data - unaudited)	2019		2018		Change
	\$	%	\$	%	
Net sales	\$ 921.7		\$ 935.5		(1.5)%
➤ Organic sales	12.3				1.4 %
➤ Currency translation	(26.1)				(2.9)%
Gross profit	\$ 471.6	51.2 %	\$ 471.6	50.4 %	
Operating expenses	284.2	30.9 %	293.9	31.4 %	
Operating earnings before financial services – as reported	\$ 187.4	20.3 %	\$ 177.7	19.0 %	130 bps
Operating earnings before financial services – as adjusted*	175.8	19.1 %	177.7	19.0 %	10 bps
Financial services revenue	\$ 85.6		\$ 83.0		3.1 %
Financial services operating earnings	62.1		56.9		9.1 %
Operating earnings – as reported	\$ 249.5	24.8 %	\$ 234.6	23.0 %	180 bps
Operating earnings – as adjusted*	237.9	23.6 %	234.6	23.0 %	60 bps
Diluted EPS – as reported	\$ 3.16		\$ 2.82		12.1 %
Diluted EPS – as adjusted*	\$ 3.01		\$ 2.79		7.9 %

- Organic sales up 1.4%; excludes \$26.1 million of unfavorable foreign currency translation
- Gross margin of 51.2% improved 80 basis points (bps) primarily due to higher organic sales volume, savings from Rapid Continuous Improvement (“RCI”) initiatives and 10 bps of favorable foreign currency effects
- The operating expense margin of 30.9% improved 50 bps from 31.4% last year primarily due to 120 bps of benefit from the legal settlement, partially offset by 20 bps of unfavorable foreign currency effects and higher costs
- Operating earnings before financial services of \$187.4 million, including an \$11.6 million legal settlement and \$5.7 million of unfavorable foreign currency effects, increased \$9.7 million from \$177.7 million last year; operating margin of 20.3%, including 120 bps of benefit from the legal settlement, compared to 19.0% last year
- Diluted EPS of \$3.16 up 12.1%; excluding \$0.15 per share for the legal settlement in 2019, diluted EPS, as adjusted, of \$3.01 is up 7.9% from 2018 adjusted diluted EPS of \$2.79, which excluded the benefit of \$0.07 per share for the net debt items and \$0.04 for the tax charge

* As adjusted - see reconciliation of non-GAAP Financial Measures starting on slide 14

COMMERCIAL & INDUSTRIAL – 1ST QUARTER

(\$ in millions - unaudited)	2019	2018	Change
Segment sales	\$ 322.5	\$ 331.6	(2.7)%
➤ Organic sales	4.7		1.5 %
➤ Currency translation	(13.8)		(4.2)%
Gross profit	\$ 130.3	\$ 129.3	
% of sales	40.4 %	39.0 %	
Operating expenses	\$ 83.8	\$ 82.8	
% of sales	26.0 %	25.0 %	
Operating earnings	\$ 46.5	\$ 46.5	
% of sales	14.4 %	14.0 %	40 bps

- Organic sales up \$4.7 million or 1.5%
 - Primarily due to increased sales in the specialty tools business as well as increases with customers in critical industries, partially offset by decreased sales in the segment's Asia Pacific operations
- Gross margin of 40.4% improved 140 bps from 2018 primarily due to 40 bps of favorable foreign currency effects, benefits from higher organic sales volumes and savings from RCI initiatives
- The operating expense margin of 26.0% increased 100 bps from 25.0% last year primarily due to 10 bps of unfavorable foreign currency effects, higher sales-related spending and other costs
- Operating earnings of \$46.5 million, including \$1.1 million of unfavorable foreign currency effects, were unchanged from last year; the operating margin of 14.4% compared to 14.0% last year

SNAP-ON TOOLS – 1ST QUARTER

<i>(\$ in millions - unaudited)</i>	2019	2018	Change
Segment sales	\$ 410.2	\$ 404.7	1.4 %
➤ Organic sales	11.7		2.9 %
➤ Currency translation	(6.2)		(1.5)%
Gross profit	\$ 183.1	\$ 180.3	
% of sales	44.6 %	44.6 %	
Operating expenses	\$ 115.9	\$ 111.4	
% of sales	28.2 %	27.6 %	
Operating earnings	\$ 67.2	\$ 68.9	
% of sales	16.4 %	17.0 %	(60) bps

- Organic sales up \$11.7 million, or 2.9%, including an increase in the company's U.S. franchise operations, partially offset by a decrease in the segment's international franchise operations
- Gross margin of 44.6%, including 40 bps of unfavorable foreign currency effects, was unchanged from last year
- The operating expense margin of 28.2% increased 60 bps primarily due to 10 bps of unfavorable foreign currency effects and higher costs
- Operating earnings of \$67.2 million, including \$3.1 million of unfavorable foreign currency effects, decreased \$1.7 million and the operating margin of 16.4% compared to 17.0% last year

REPAIR SYSTEMS & INFORMATION – 1ST QUARTER

<i>(\$ in millions - unaudited)</i>	2019	2018	Change
Segment sales	\$ 327.9	\$ 337.0	(2.7)%
➤ Organic sales	(1.5)		(0.5)%
➤ Currency translation	(7.6)		(2.2)%
Gross profit	\$ 158.2	\$ 162.0	
% of sales	48.2 %	48.1 %	
Operating expenses	\$ 74.6	\$ 76.2	
% of sales	22.7 %	22.6 %	
Operating earnings	\$ 83.6	\$ 85.8	
% of sales	25.5 %	25.5 %	- bps

- Organic sales down \$1.5 million
 - Decrease reflects reduced sales of undercar equipment, partially offset by a gain in sales to OEM dealerships
 - Excludes \$7.6 million of unfavorable foreign currency translation
- Gross margin of 48.2% improved 10 bps from 48.1% last year
- The operating expense margin of 22.7% increased 10 bps from 22.6% last year
- Operating earnings of \$83.6 million, including \$1.5 million of unfavorable foreign currency effects, decreased \$2.2 million; the operating margin of 25.5% was unchanged from last year

FINANCIAL SERVICES – 1ST QUARTER

<i>(\$ in millions - unaudited)</i>	2019	2018	Change
Segment revenue	\$ 85.6	\$ 83.0	3.1 %
Operating earnings	\$ 62.1	\$ 56.9	9.1 %
Originations	\$ 252.5	\$ 247.3	2.1 %

- Originations increased \$5.2 million or 2.1%
- Average yield on finance receivables of 17.8% in both periods
- Average yield on contract receivables of 9.1% compared to 9.2% in 2018

FINANCIAL SERVICES PORTFOLIO DATA

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,472.9	\$ 1,816.0	\$ 191.0	\$ 271.1
Portfolio net losses (TTM)	\$ 48.4	\$ 50.0	\$ 3.0	\$ 3.6
60+ Delinquency:				
As of 3/31/19	1.5 %	1.3 %	0.7 %	0.8 %
As of 12/31/18	1.8 %	1.5 %	0.8 %	0.8 %
As of 9/30/18	1.7 %	1.4 %	0.7 %	0.8 %
As of 6/30/18	1.4 %	1.2 %	0.7 %	0.7 %
As of 3/31/18	1.6 %	1.4 %	0.8 %	0.7 %

- Gross finance portfolio of \$2,087.1 million as of March 30, 2019
 - Q1 portfolio growth of \$4.1 million
- TTM – Trailing twelve months

CASH FLOWS

(\$ in millions - unaudited)	1st Quarter	
	2019	2018
Net cash provided by operating activities	\$ 201.3	\$ 231.9
➤ Net earnings	182.1	166.8
➤ Depreciation and amortization	22.6	24.0
➤ Changes in deferred income taxes	5.4	0.4
➤ Loss on early extinguishment of debt	-	7.8
➤ Changes in working investment	(16.6)	0.9
➤ Changes in accruals and other liabilities	(3.7)	5.4
➤ Changes in all other operating activities	11.5	26.6
Net increase in finance receivables	\$ (18.6)	\$ (16.5)
Capital expenditures	\$ (20.2)	\$ (18.0)
Free cash flow	\$ 162.5	\$ 197.4
Free cash flow from Operations	\$ 132.3	\$ 149.6
Free cash flow from Financial Services	\$ 30.2	\$ 47.8
Increase in cash	\$ 15.5	\$ 5.5

- 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>	March 30, 2019	December 29, 2018
Trade & Other Accounts Receivable - net	\$ 675.3	\$ 692.6
Days Sales Outstanding	65	67
Finance Receivables - net	\$ 1,603.0	\$ 1,592.9
Contract Receivables - net	\$ 438.0	\$ 443.2
Inventory - net	\$ 707.0	\$ 673.8
Inventory turns - TTM	2.7	2.9
Cash	\$ 156.4	\$ 140.9
Total debt	\$ 1,089.2	\$ 1,132.3
Net debt	\$ 932.8	\$ 991.4
Net debt to capital ratio	22.6 %	24.2 %

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	1st Quarter	
	2019	2018
Benefit related to the settlement of a litigation matter (“legal settlement”)		
Pre-tax legal settlement	\$ 11.6	\$ -
Income tax expense	<u>(2.9)</u>	<u>-</u>
Legal settlement, after tax	\$ 8.7	\$ -
Weighted-average shares outstanding – diluted	56.3	57.8
Diluted EPS – legal settlement	\$ 0.15	\$ -
Charge related to implementation of tax legislation (“tax charge”)		
Tax charge	\$ -	\$ (2.6)
Weighted-average shares outstanding – diluted	56.3	57.8
Diluted EPS – tax charge	\$ -	\$ (0.04)

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	1st Quarter	
	2019	2018
Debt related items (“net debt items”)		
Gain on settlement of treasury lock (A)		
Gain on settlement of treasury lock	\$ -	\$ 13.3
Income tax expense	<u>-</u>	<u>(3.3)</u>
Gain on settlement of treasury lock, after tax	\$ -	\$ 10.0
Weighted-average shares outstanding – diluted	56.3	57.8
Diluted EPS – gain on settlement of treasury lock	\$ -	\$ 0.17
Loss on early extinguishment of debt (B)		
Loss on early extinguishment of debt	\$ -	\$ (7.8)
Income tax benefit	<u>-</u>	<u>1.9</u>
Loss on early extinguishment of debt, after tax	\$ -	\$ (5.9)
Weighted-average shares outstanding – diluted	56.3	57.8
Diluted EPS – loss on early extinguishment of debt	\$ -	\$ (0.10)
Net debt items (A + B)		
Net debt items	\$ -	\$ 5.5
Income tax expense	<u>-</u>	<u>(1.4)</u>
Net debt items, after tax	\$ -	\$ 4.1
Weighted-average shares outstanding – diluted	56.3	57.8
Diluted EPS – net debt items	\$ -	\$ 0.07

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	1st Quarter	
	2019	2018
Operating earnings before financial services		
As reported	\$ 187.4	\$ 177.7
Legal settlement	<u>(11.6)</u>	<u>-</u>
As adjusted	\$ 175.8	\$ 177.7
Operating earnings before financial services as a percentage of sales		
As reported	20.3 %	19.0 %
As adjusted	19.1 %	19.0 %
Operating earnings		
As reported	\$ 249.5	\$ 234.6
Legal settlement	<u>(11.6)</u>	<u>-</u>
As adjusted	\$ 237.9	\$ 234.6
Operating earnings as a percentage of revenue		
As reported	24.8 %	23.0 %
As adjusted	23.6 %	23.0 %

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	1st Quarter	
	2019	2018
Net earnings attributable to Snap-on Incorporated		
As reported	\$ 177.9	\$ 163.0
Legal settlement, after tax	(8.7)	-
Net debt items, after tax	-	(4.1)
Tax charge	-	<u>2.6</u>
As adjusted	\$ 169.2	\$ 161.5
Diluted EPS		
As reported	\$ 3.16	\$ 2.82
Legal settlement, after tax	(0.15)	-
Net debt items, after tax	-	(0.07)
Tax charge	-	<u>0.04</u>
As adjusted	\$ 3.01	\$ 2.79
Effective tax rate		
As reported	24.3 %	26.2 %
Legal settlement	(0.1)%	-
Tax charge	-	<u>(1.2)%</u>
As adjusted	24.2 %	25.0 %