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Operator: Good day ladies and gentlemen and welcome to the Snap-on Second Quarter 2020 Results Investor Conference Call. Please note that today's call is being recorded. And at this time I would like to turn the conference over to Sara Verbsky, VP of Investor Relations. Please go ahead.

Sara Verbsky: Thank you, Kathy, and good morning, everyone. Thank you for joining us today to review Snap-on Second Quarter Results, which are detailed in our press release issued earlier this morning. We have on the call today Nick Pinchuk -- Snap-on's Chief Executive Officer -- and Aldo Pagliari, Snap-on's Chief Financial Officer. Nick will kick off our call this morning with his perspective on our performance. Aldo will then provide a more detailed review of our financial results. After Nick provides some closing thoughts, we'll take your questions. As usual, we've provided slides to supplement our discussion. These slides can be accessed under the downloads tab in our webcast viewer, as well as on our Web site, snapon.com under the investor section. These slides will be archived on our Web site along with a transcript of today's call.

Any statements made during this call relative to management's expectations, estimates, or beliefs or otherwise state management's or the company's outlook, plans, or projections are forward-looking statements and actual results may differ materially from those made in such statements. Additional information and the factors that could cause our results to differ materially from those in the forward-looking statements are contained in our SEC filings. Finally, this presentation includes 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 -- including a reconciliation of non-GAAP measures -- is included in our earnings release and in our conference call slides on pages 14 through 16. Both can be found on our Web site. With that said, I'd now like to turn the call over to Nick Pinchuk. Nick?

Nick Pinchuk: Thanks, Sara. Before we get going, I want to thank the members of the Snap-on team. It's clear in this turbulence that they are among the special contributors who keep society intact when our days are dark. And in that essential challenge, we're prioritizing the health, safety, and well-being of our associates, franchisees, customers, and communities. Working from home. And when that's not possible -- and there's a number of those instances -- distancing. Using personal protective equipment. Cleaning, deep and often. Staggering shifts and breaks. Paying quick attention to symptoms and pursuing contact tracing. We've worked hard to stay safe.

But throughout this time, we've also invested in a continuing stream of essential new products, reinforced our brand, and strived to maintain our team. The people of Snap-on are a great advantage. We're working hard to preserve them in the turbulence and will continue to do so. For our franchisees, we’re active in helping, reaching out on a regular basis to understand their needs and those of their customers. When the virus passes, we know there'll be even more opportunities. We want our associates and our franchisees at full strength to capitalize on the possibilities.

We now project that the virus plays out in three phases. First, the initial shock. A substantial interruption of activity at both the franchisee and the customer level. This was evident in late March and in April. Second, an accommodation period. As operations and individuals develop more and more ways to safely pursue their opportunities against the COVID-19 environment. In fact, we appear to be seeing that effect through May, June, and onward. And of course, we've actively participated in that process, broadcasting best practices, working hard to accelerate the comeback. Finally, the third phase, psychological recovery. Following a return to normal, customers will need to regain confidence in the future before they resume full buying participation. And in that recovery, we see great opportunities, as driving is restored and becomes even more popular, even more essential. This overall construct represents what we consider to be the general shape of the way forward. It does represent a continuing upward trend, but the slope of the ascension isn't clear. And of course, the psychological recovery phase will be greatly influenced by the ongoing evolution of the virus. Nobody knows the future for sure. But we're encouraged by what we've seen so far.

Looking back, April was the nadir, but as the quarter progressed, we showed continual recovery. Our businesses did learn to better accommodate the pandemic. Both sales and profitability improved sequentially in May and in June. Although the virus is still with us, it appears that the situation may be evolving just as we projected. As we said at the end of April, the impact of COVID-19 varies across our operating landscape. Asia remains virus challenged. Japan, South Korea, and China do appear to have weathered the worst, but Southeast Asia and India are still in deep turbulence. And in Europe, the overall economic weakness present before the pandemic in combination with the virus has made for the deepest distress of all.

Beyond geographic differences, we're also seeing that our face to face businesses -- the mobile vans and the direct salesforces -- are faring somewhat better compared with other models. Snap-on's traditional strength -- personal selling -- appears to be an effective foundation for limiting the difficulty. In that way, we believe we have the resilience and the resources to weather this challenge, as Snap-on has so many times in the past. Actually, over the years we've seen this movie before. Natural disasters - superstorm Sandy, hurricanes Harvey and Katrina, and the great recession of 2009. And each time we learned to accommodate and emerge stronger and we've taken the lessons of those disruptions and applied them with positive effect to this time of the virus.

You know, I love to say this. Snap-on has paid a dividend every quarter since 1939 and it's never reduced it. And this quarter was no different. That record stands as evidence of our ongoing resistance to challenge. And beyond just maintaining, we believe our continuing investments in new products, in our franchisees, and in our team, in the midst of the storm, will once again make us stronger as the environment recovers. We do believe in the opportunities going forward and because of that, we're keeping our focus on Snap-on Value Creation – safety, quality, customer connection, innovation, and rapid continuous improvement. That emphasis is particularly evident in customer connection and innovation. We're continuing with the stream of new products. We believe the green shoots of accommodation and psychological recovery will grow and we're going to be ready.

Well, that's the overview. Now let's turn to the results. Second quarter as reported sales were $724.3 million, down 23.9%, including a $14.4 million or a 120-basis point impact from unfavorable foreign currency and an organic sales decline of 22.9%. From an earnings perspective, OpCo OI for the quarter of $91.1 million, including $5.8 million of direct costs associated with the virus, $4.0 million of restructuring charges, principally focused on Europe, and $3.8 million of unfavorable foreign currency effects compared to $189.9 million in 2019. OpCo operating margin was 12.6% and the as adjusted level -- excluding restructuring charges -- was 13.1%. For Financial Services, operating income of $57.6 million was down from last year's $60.6. Overall EPS on an as-reported basis was $1.85 compared to $3.22 last year. Excluding the restructuring charges, the as-adjusted EPS was $1.91. Well, those are the overall numbers. Now let's turn to the groups.

In C&I, volume in the second quarter of about $261.9 million -- including $6.9 million of unfavorable foreign currency -- was down versus last year's $335.0, primarily on double-digit declines in all of the segment's operations, reflecting the effect of COVID-19 and the ongoing economic weakness in Europe. From an earnings perspective, C&I operating income of $22.9 million decreased $26 million, including $3.0 million of virus-related costs, $2.0 million of restructuring, and $1.9 million of unfavorable foreign currency effects. There was a clear point of light in C&I. Our direct sales to customers in the critical industries -- though still down -- was less affected than the other areas across the group. Military and international aviation continued to register growth, and heavy truck, as you might expect, was down, but was reasonably resilient while other segments -- such as oil and gas, and education - no surprise -- there were no students - both those industries were significantly impacted by the pandemic and experienced substantial contraction. But we do remain confident in and committed to extending in the critical industries, and we do see growing opportunity there moving forward.

Speaking of the future, let's talk about creating new products. Just this quarter, we introduced another one of our great 14.4 volt units, the new CTS 825 ¼” hex cordless screwdriver. Our brushless powertrain makes for higher torque, more runtime, longer motor life. The driver has nine - has a nine position clutch, giving techs just the proper amount of torque for the job, all packaged with a dual-range gearbox and a built-in brake that prevents this powerful tool from throwing fasteners. That's a significant safety feature. The new screw gun also features ergonomically designed - an ergonomically designed cushion grip handle for great tech comfort and twin lights - twin LED lights to clearly illuminate the work area. After only a couple of months, it's already essential where work is critical. It was launched in April, a tough month. But it's already one of our hit million-dollar products. Significant success. C&I, navigating the turbulence with customer connection and innovation, serving the essentials.

Now, on to the Tools Group. Sales were $323.3 million in the quarter, reflecting a $79.2 million organic decline and $3.3 million of unfavorable foreign currency. The operating earnings were $38.4 million, including $1.9 million of virus-related costs, $1.1 million of unfavorable foreign currency, and $600,000 of restructuring charges compared to $71.3 million recorded in 2019. The Tools Group was a clear demonstration both of the COVID trajectory across our business and of the strength and resilience of our direct face to face model. As the virus rose in late March and April, the network was shocked, individually and collectively. The impact varied by region, but all geographies were affected. April was the deepest. However, moving from that point our franchisees -- in collaboration with the Snap-on team -- found increasingly effective ways to accommodate the pandemic and pursue their support of the essential. And each subsequent - and each subsequent month the vans have shown significant gains. In fact, the Tools Group sales in June were down just 3.1%, up nicely after a tough start to the quarter.

Beyond the ongoing accommodation, you hear from the field that the direct interface with our customers is dramatically highlighting the bond that Snap-on has always had with working men and women through thick and thin. And many franchisees report that the relationship forged anew -

relationships forged anew in the pandemic have never been stronger. There's nothing like working together in difficulty and we believe this bodes really well for our market position and for capturing future opportunities. So despite the virus, we're still quite positive about our business. And it's a view clearly reflected outside Snap-on. In fact, once again this year, we're being recognized in the top 50 of *Entrepreneur Magazine's* annual Best of the Best Franchisee - Franchises. The *Entrepreneur* ranking rates 500 companies on cost, size, growth, franchise support, brand power, financial strength, and organizational stability. And we again scored highest in the tool distribution category. That's a distinction we've held for quite some time.

As we move forward, our associates and franchisees are clearly becoming more effective against the wind. It's a continuing process born out of the Snap-on team working and developing action plans, sharing best practices for safe selling, supporting with tailored promotions, and launching targeted promotions. This is a process that's been successful in hurricanes, recessions, and the threats of 9/11 and it's working again. And of course, the effort includes also a healthy array of innovative new products to solve the critical. Everybody knows we have great ratchets. And guided by uninterrupted customer connection, we've been expanding that powerful lineup almost every quarter and we did it again when we introduced the XFR704 12-Point Flank-Drive Double-Flex Ratcheting Box-Wrench set. Now that's a mouthful. But this unit has a lot to offer. It combines 180-degree flexible head with a - with our narrow width and low height design, allowing work in the tightest of spaces. Our patented ratcheting-gear utilizes Dual-80 technology, minimizing swing arc and making jobs in restricted areas even easier. And our unique yoke and tang configuration provides the strongest and most durable flex head anywhere.

The new - that new - the new four-piece set is built in our Elizabethton, Tennessee plant, right here in the U.S.A. I was just there again and I can testify the Snap-on people in that plant are a special team, turning out great product, and even in the current environment the technicians have noticed, driving the Flex 704 on its way to be another million-dollar product. Well, that's the Tools Group. Accommodating the pandemic, furthering innovation, and strengthening for the future.

Now let's speak of RS&I. The RS&I group finished the quarter with $245 million in sales including $4.8 million of unfavorable foreign currency, $2.3 million from recent acquisitions. And that level -- compared to $348.9 million recorded last year -- to the $348.9 million recorded last year. The lower volumes reflected declines of over 30% in the activity associated with vehicle OEM projects and in the capital-like spending relating to our undercar equipment operations, both areas that were deeply attenuated with the uncertainty. Sales of diagnostics and repair information products to independent shops were also negatively impacted, but to a lesser degree. Garages continued to subscribe and invest in meeting new repair challenges. Vehicles need fixing, even in a pandemic. RS&I operating earnings of $50.6 million decreased $38 million, including $1.4 million of European focused restructuring, $800,000 of unfavorable foreign currency, and $700,000 of direct COVID costs.

So while the overall group was impacted, information-based operations were not as affected and new products were a driver in that. Once again, we generated repair excitement with innovations like the latest enhancements to our Mitchell1 ProDemand Repair Information System, which in response to the needs of large national account customers now includes a range of vehicle lift points in its quick reference menu. The new ProDemand menu links directly to vivid vehicle illustrations which identify designated lifting points as well as listing all the important manufacturer-recommended safety procedures. You see, technicians in a hurry sometimes fail to follow the correct lift procedures. Injuries and vehicle damage can follow. But those who have our ProDemand system can now find the critical lift information only one click away from the home screen. It's a significant convenience and a clear safety enhancement.

Also in the quarter, we launched our eTechnician 2.0, designed specifically for heavy-duty trucks. It's the most comprehensive and powerful diagnostic software in the market. It provides the data and the support required to stay competitive in today's trucking industries. Heavy-duty diagnostics were never this good. The eTechnician 2.0 combines extensive coverage from everything from commercial vehicles to - right down to light and medium heavy-duty trucks. Diagnostic capability for an expanded array of engines, transmissions, brakes, body and chassis systems, and more. The new 2.0 also adds, you know, an - a cloud-based, fleet-wide vehicle history, giving users access to every diagnostic session for every vehicle in their fleet, regardless of location. Snap-on continues to show the way in truck repair and eTechnician 2.0 is another step along that path. You know, we're confident in the strength of our RS&I group. And we keep driving to expand its position with repair shop owners and managers. Making work easier with great new products, even in the days of the virus.

Well, that's the second quarter - the Snap-on second quarter. Shock. Moving to accommodation. And to what we believe will be psychological recovery. Keeping our team safe as we pursue the essential. Applying the lessons of our experience, helping our customers, our franchisees, and our team weather the difficult days and build the capability - weather those days and build the capability to operate in the virus environment, driving month by month improvement. Engaging the power of our direct selling capabilities. Being confident in our future opportunities, now amplified by the virus. Pursuing Snap-on value creation all to not only weather the turbulence but to emerge stronger and ready to take full advantage when the days are clear. Now I'll turn the call over to Aldo for a detailed discussion of the financials.

Aldo Pagliari: Thanks, Nick. Our consolidated operating results are summarized on slide six. Next sales of $724.3 million in the quarter compared to $951.3 million last year, reflecting a 22.9% organic sales decline, $14.4 million of unfavorable foreign currency translation, and $2.3 million of acquisition-related sales. The organic sales decrease primarily reflected the impact of the COVID-19 pandemic, with sales declines in all three operating segments. In the quarter -- while there was some variability from location to location -- the declines in Europe were more pronounced. As anticipated, with government measures in place throughout the world, sales in the month of April were heavily impacted and were down significantly on a year over year basis. As locations began to reopen and as our operations and those of our franchisees adjusted to the virus environment --

which included accommodations for various government-imposed restrictions, we began to see sequential improvements in activity as we moved through May and June.

Similar to last quarter, we accrued for restructuring costs associated with certain of our European based operations. During the second quarter, we recorded $4.0 million of such costs, which were reflected in each of our operating segments. Additionally in the quarter, we've identified $5.8 million of direct costs associated with COVID-19. These costs include direct labor and under absorption associated with temporary factory closures, wages for quarantined associates, event cancellation fees, as well as other costs to accommodate the current enhanced health and safety environment.

Consolidated gross margin of 47.1% compared to 49.8% last year. The 270 basis point decrease primarily reflects the impact of the lower volumes, including costs to maintain manufacturing capacity and worker skill sets, 40 basis points of direct cost associated with COVID-19, and 30 basis points of restructuring costs. The decreases were partially offset by savings from RCI initiatives.

The operating expense margin of 34.5% increased 470 basis points from 29.8% last year. This increase primarily reflects the impact of lower sales, as well as 40 basis points of direct COVID-19 related costs and 20 basis points from restructuring actions. These items were partially offset by savings from cost containment actions in response to the lower volumes.

Operating earnings before financial services of $91.1 million including $5.8 million of direct cost associated with COVID-19, $4.0 million of restructuring costs, and $3.8 million of unfavorable foreign currency effects compared to $189.9 million in 2019. As a percentage of net sales, operating margin before financial services of 12.6% compared to 20% last year. Excluding the restructuring charges, operating earnings before financial services of $95.1 million or 13.1% of sales decreased 49.9% from 2019 levels.

Financial services revenue of $84.6 million in the second quarter of 2020, compared to $84.1 million last year, while operating earnings of $57.6 million compared to $60.6 million in 2019, primarily reflecting a $3.0 million increase in provisions for credit losses.

Consolidated operating earnings of $148.7 million, including $5.8 million of direct COVID related costs, $4.0 million of restructuring charges, and $4.1 million of unfavorable foreign currency effects, compared to $250.5 million last year. As a percentage of revenues, the operating earnings margin of 18.4% compares to 24.2% last year. On an adjusted basis -- excluding restructuring -- operating earnings of $152.7 million or 18.9% of revenues decreased 39% from 2019 levels.

Our second quarter effective income tax rate of 24.1%, including a 20 basis point increase from the restructuring charges, compared to 23.6% for the second quarter of last year.

Finally, net earnings of $101.2 million, or $1.85 per share, including a six-cent charge for restructuring, compared to $180.4 million or $3.22 per share a year ago. Excluding the restructuring charges, net earnings as adjusted were $104.5 million or $1.91 per share.

Now let's turn to our segment results. Starting with the C&I group on slide 7. Sales of $261.9 million compared to $335 million last year, reflecting a 20.2% organic sales decline and $6.9 million of unfavorable foreign currency translation. The organic decrease includes mid-teen declines in both sales to customers and critical industries and in the power tools operation. Across the critical industries, gains in sales to various government-related agencies were more than offset by declines in natural resources, including oil and gas, as well as lower technical education sales, with the latter being impacted by school and campus closures.

Gross margin of 34.4% decreased 420 basis points year over year, primarily due to the impact of decreased sales, including lower utilization of manufacturing capacity, as well as 80 basis points from $2.0 million of restructuring charges, 70 basis points of direct costs associated with COVID-

19, and 50 basis points of unfavorable foreign currency effects. These decreases were partially offset by material cost savings and benefits from the company's RCI initiatives.

The operating expense margin of 25.7% increased 170 basis points from 24% last year, primarily due to the lower sales and 50 basis points of direct COVID-19 related costs. These items were partially offset by savings from cost containment efforts.

Operating earnings for the C&I segment of $22.9 million including $3.0 million of direct COVID-19 related costs, $2.0 million of restructuring charges, and $1.9 million of unfavorable foreign currency effects, compared to $48.9 million last year. The operating margin of 8.7% including the 80 basis point charge for restructuring compared to 14.6% a year ago.

Turning now to slide eight, sales in the Snap-on Tools Group of $323.3 million compared to $405.8 million in 2019, reflecting a 19.7% organic sales decline and $3.3 million of unfavorable foreign currency translation. The organic sales decrease reflects a mid-teen decline in our U.S. franchise operations and a nearly 40% decline in the segment's international operations. As Nick mentioned, sales in our direct customer-facing businesses -- like the Snap-on Tools Group -- had the most dramatic year over year decreases in April with notable sequential improvements in activity in May and June.

Gross margin of 41.7% declined 340 basis points, primarily due to the impact of lower sales volumes, including costs to maintain manufacturing capacity, as well as 30 basis points of direct costs associated with COVID-19, and there were 20 basis points of unfavorable foreign currency effects.

The operating expense margin of 29.8% increased from 27.5% last year, primarily due to the impact of the lower sales, 30 basis points of direct COVID-19 related costs, and 20 basis points from

$600,000 of restructuring charges. These costs were partially offset by savings from cost containment actions.

Operating earnings for the Snap-on Tools Group of $38.4 million including $1.9 million of direct COVID-19 related costs, $1.1 million of unfavorable foreign currency effects, and $600,000 of restructuring charges compared to $71.3 million last year. The operating margin of 11.9% compared to 17.6% a year ago.

Turning to the RS&I Group shown on slide nine, sales of $245 million compared to $348.9 million a year ago, reflecting a 29.5% organic sales decline and $4.8 million of unfavorable foreign currency translation, partially offset by $2.3 million of acquisition-related sales. The organic sales decline includes a mid-teen decrease in sales of diagnostic information products to independent repair shop owners and managers, as well as declines of over 30% in both sales of undercar equipment and sales to OEM dealerships. The lower sales of undercar equipment includes significantly lower sales of collision repair products, while the lower sales to OEM dealerships largely reflect decreases in OEM facilitation projects.

Gross margin of 47.4% improved 110 basis points from 46.3% last year, primarily due to the impact of reduced sales in lower gross margin businesses and savings from RCI activities.

The operating expense margin of 26.7% increased from 20.9% last year, primarily due to the lower sales and 50 basis points from $1.4 million of restructuring charges, partially offset by savings from RCI and other cost containment actions.

Operating earnings of the RS&I group of $50.6 million, including $1.4 million of restructuring charges, $700,000 of direct COVID-19 related costs, and $800,000 of unfavorable foreign currency effects, compared to $88.6 million last year. The operating margin of 20.7% compared to 25.4% a year ago.

Now, turning to slide 10. Revenue from Financial Services of $84.6 million compared to $84.1 million last year. Financial Services operating earnings of $57.6 million compared to $60.6 million in 2019. Financial Services expenses of $27 million increased $3.5 million from last year's levels primarily due to $3 million of higher provisions for credit losses as compared to 2019. The second quarter of 2019 included lower provisions as a result of non-recurring favorable loss experience at that time.

As a percentage of the average portfolio, Financial Services expenses were 1.3% and 1.1% in the second quarters of 2020 and 2019, respectively. The average yield on finance receivables was 17.6% in the second quarters of both 2020 and 2019. The respective average yield on contract receivables was 8.2% and 9.1%. The lower yield on contract receivables in the second quarter of 2020 primarily reflects the impact of approximately $20 million of lower interest business operation support loans for our franchisees. These loans were offered during the second quarter to help accommodate franchisee operations in dealing with the COVID-19 environment.

Total loan originations of $255.8 million decreased $7.6 million, or 2.9%, and included an 8.5% decrease in originations of finance receivables. This decline in finance receivables was partially offset by a 26.1% increase in originations of contract receivables, resulting from the business operation support loans offered to franchisees mentioned earlier.

Moving to slide 11, our quarter-end balance sheet includes approximately $2.2 billion of gross financing receivables, including $1.9 billion from our U.S. operations. Our worldwide gross financial services portfolio increased $54.3 million in the second quarter. Collections of financed receivables in the quarter of $166.8 million, compared to collections of $191.6 million during the second quarter of 2019. This year's quarter reflected the greater use of deferred payment plan sales programs and short-term payment relief, or forbearance, to some of our franchisee's qualifying customers. Similar to trends elsewhere in our business, we saw the greatest number of requests for payment relief on extended credit or finance receivables in April. This lessened in May and as of the end of June, forbearance was granted for approximately 2.5% of the portfolio. Historically, those accounts having forbearance terms are below 1% of the finance receivable portfolio.

Trailing 12-month net losses on extended credit or finance receivables of $50.4 million represented 2.93% of outstandings at quarter end, down six basis points sequentially. The 60-day-plus delinquency rate of 1% for U.S. extended credit is down 40 basis points from a year ago. This improvement primarily reflects the aforementioned programs which took place during the quarter, as well as the effective credit and collection practices executed by Snap-on and our franchisees throughout this period. Total chargeoffs within the quarter total $15.1 million, as compared to $14.9 million during the second quarter of 2019.

Now, turning to slide 12, cash provided by operating activities of $253.6 million in the quarter increased $108.1 million from comparable 2019 levels, primarily reflecting net changes in operating assets and liabilities, including $61.5 million in lower tax payments, $75.7 million in decreases in working investment, partially offset by lower net earnings. Net cash used by investing activities of $45.6 million included net additions to finance receivables of $35 million and capital expenditures of $11.8 million.

In the quarter, our total free cash flow, or cash flow from operating activities less capital expenditures and the net change in finance receivables, was $206.8 million. This reflected an improvement of $118.3 million from last year and represented 195% of net earnings.

Net cash provided by financing activities of $289.5 million included the proceeds from the April sale of $500 million of 30-year senior notes, partially offset by $148.1 million of repayments of notes payable and other short-term borrowings, and cash dividends of $58.7 million. While there were no repurchases of common stock under our existing share repurchase programs during the quarter, as of quarter-end, we had remaining availability to repurchase up to an additional $334.4 million of common stock under existing authorizations.

Turning to slide 13, trade and other account receivables decreased $131.1 million from 2019 yearend. Days sales outstanding of 59 days compared to 67 days at 2019 yearend. This reflected a reduction in days outstanding across all of our operating segments. Inventory's increased $23.6 million from 2019 yearend, primarily to support the critical industries. On a trailing 12-month basis, inventory turns of 2.3 compared to 2.6 at yearend 2019.

Our quarter-end cash position of $686.2 million compared to $184.5 million at yearend 2019. Our net debt to capital ratio of 17.9%, compared to 22.1% at yearend 2019. In addition to cash and expected cash flow from operations, we have more than $800 million in available credit facilities. As of quarter-end, there were no outstanding amounts under the credit facility, and there were no commercial paper borrowings outstanding. Despite the uncertainty in the current environment, we believe we have sufficient available cash and access to both committed and uncommitted credit facilities to cover expected funding needs in both the near-term and on a long-term basis. That concludes my remarks on our second quarter performance. I'll now briefly review a few updated outlook items.

Given the improving trends experienced in the second quarter in the near-term, we believe there will be continued sequential improvements, reflecting increasing levels of accommodations to the virus-related environment. However, we cannot provide assurance on the rate of progress due to the uncertain and evolving nature and duration of the pandemic. We anticipate that capital expenditures will be in a range of $75 million to $85 million as compared to our prior estimate of $70 - $80 million. Additionally, we continue to anticipate that our full-year 2020 effective income tax rate will be in a range of 23 - 25%. I'll now turn the call back to Nick for his closing thoughts. Nick?

Nick Pinchuk: Thanks, Aldo. The Snap-on second quarter. Sales were down. Of course, we don't like it. But you know, the OpCo margin was 12.6%, 13.1% as adjusted, approaching the mid-teen level that we long held as an aspirational target. EPS of $1.91 as adjusted, also down, but still higher than any quarter before the end of 2014.

The numbers are decreased, but we believe they demonstrate a significant resilience in perhaps the greatest withering of our time. You see, we have seen this movie before, and that experience helped guide us through the depth of the shock and on to the continuing positive trajectory of accommodation. April was dark, but the rise from that point was evident across the corporation from operation to operation. The Tools Group, demonstrating the value of our direct model with sales in June reaching within 3.1% of last year's level.

The future is not known, but we believe our learning and accommodation assures that we won't get shocked again, and any future impact will be attenuated. And looking at the way the virus has affected everyday life, we believe abundant opportunities are emerging for Snap-on in the recovery. It appears that vehicles are going to be even more important. You can see it already in China and in the U.S. Northeast, and that's music to our ears. And we are preparing, launching new products, enhancing our brand, reinforcing our franchise network, and maintaining the capabilities of our team. Now, all of this represents a cost in the turbulence, but it ensures that we'll be fully enabled and stronger when the opportunities arise. And we believe what we're doing in these days of the virus will position Snap-on for continuing growth, increasing profitability, and ongoing prosperity for years to come.

Before I turn the call over to the operator, I'll once again speak to our franchisees and associates. It has never been clearer that all of you are extraordinary people, playing a very special role in our world. For your ongoing success in surviving the shock and accommodating the turbulence, you have my congratulations. For your significant contributions in maintaining our society, you have my admiration. And for your unfailing belief in the future of our enterprise, you have my thanks. Now I'll turn the call over to the operator. Operator?

Operator: Certainly, thank you. And ladies and gentlemen, to ask a question, that is star, 1 on your telephone keypad. Please note that if you're on a speakerphone, to please pick up the handset or depress your mute function so that the signal can reach our system. Again, that is star, 1 to ask a question, and we'll go first to Scott Stember of CL King.

Scott Stember: Good morning, thanks for taking my questions.

Nick Pinchuk: Good morning, Scott.

Scott Stember: Nick, you gave a lot of good color on what's happening, recovery within the businesses. It seems like the Tools Group is probably experiencing the greatest recovery. Maybe talk about RS&I and C&I, how, you know, the cadence of sales recovery and how we should expect the quarter coming up?

Nick Pinchuk: Sure. Well, look. You know, of course we don't give guidance, but I'll tell you this. Generally - of course, everything - what I say is never true everywhere in Snap-on of course. But generally, we're seeing accommodation across the vast majority of our operations. April, May, June, there was a progression of improvement through those periods. So, don't get me wrong. The fact that I called out the Tools Group, because they have done particularly well - there was accommodation across every one of those groups, so that's true, particularly in Industrial, where we - I called out the direct selling. They had some nice progression through that period in their direct selling activity.

If you step back to - and I think you would say across C&I in general, you're seeing that. In RS&I, the sales were down - what were they down? Like, 29.8% in as reported, 29.5 or .4 as adjusted? But generally, you see a couple of pieces.

One, the vehicle OEM projects are quite lumpy, and we see that in this period, and it's - you know, it's very hard to project that future. And the Equipment business, which generally is selling - after all, selling to kind of a bifurcated situation they're selling to, to small businesses, which need psychological recovery to have the confidence to invest in the capital-like projects, which are equipment.

Now, the other piece of those - what I've just talked about is there's a big dolllup associated with the OEMs. And really, that comes to a psychological view of the dealerships. Do they think the fact that maybe they're going to sell new cars, less new cars this year means they should pull in their horns or, as in other times, should they start investing because they need to depend more and more on used car and repair and parts flow? If it's the latter, there should be an uptick in those businesses.

Scott Stember: Got it, and moving over to the Financial Services side, your originations were really not down all that much. But I guess that was explained by loans to the franchisee. Maybe just talk about the health of the franchisees and what you're seeing at the repair shop level.

Nick Pinchuk: Yes. Look, I was just out with some franchisees last week, and you know, they seem pretty strong. I mean, I talk to a lot of them on the phone these days, since I can't travel as much as I used to around the country. And they seem all quite positive. You know, I would say that the originations - one of the things I will tell you, that I think speaks volumes, is we talked about the recovery, the accommodation of the Tools Group as shown in the 3.1%. Well, I'll tell you that in the quarters through this period, the sales off the van could be viewed as - are - were better than our sales to the vans. So fundamentally, what you see a little bit in that origination situation is some of our franchisees selling out of their inventory, big ticket items, particularly tool storage which they tend to have in inventory to try to accommodate the pace of the technicians; and therefore, you see that. But we see it as a great thing, because fundamentally, the sales off the van are outpacing the sales of the Tools Group, and the sales of the Tools Group showed accommodation.

Scott Stember: So that being said, the sale - in June, if you were down only modestly sell in, are you saying you were up off the van in June?

Nick Pinchuk: I didn't say anything. I said it was better than the 3.1. That's what I said. I said it was better than the 3.1. I think - and I said significantly better. But that's what I'm willing to say, in this situation. It clearly was better. That's what leads to the originations.

Scott Stember: Got it. Good enough. Thanks for taking my questions.

Nick Pinchuk: Sure.

Operator: And now we'll take a question from Gary Prestopino of Barrington Research.

Gary Prestopino: Hey, good morning, everyone.

Nick Pinchuk: Hi, Gary.

Gary Prestopino: A couple of questions here, Nick. First of all, you - well, first of all, are all your markets now open, especially on the van side? I mean, are you able to sell in the northeast, you know, some of these areas that are really -

Nick Pinchuk: Yes, everything's open. It was - you know, there's a lot less variation now in terms of opening. You know, I'm - you know, when the virus hit, the shock hit. There was variations between regions, so the northeast, you had a lot of people with attenuated activity. Not as much, say, in the southwest. You know, everybody's talking about the swaths between. Not as much, but still attenuation. Now, they've kind of come together. Canada - I don't know if I talked on the call, Canada was like a basket case for a while. People were really shocked, and UK were shocked, and all of those businesses, all of those areas have started to come together. There is some arithmetic difference between them, but not enough to shake a stick at, I think, in this situation. So the guys are coming back. Now, that's happened through the quarter at varying levels. Part of the accommodation process.

Gary Prestopino: Okay. And then, you keep mentioning or you mentioned opportunities for your company, given this COVID-19 situation. I mean, are those opportunities really stemming from the fact that cars are getting older and that they'll also - the thought process or the thematic thought process is that more individuals are going to want to own cars, rather than taking public transportation, or are there other areas where you're looking on to capitalize that you didn't really talk about?

Nick Pinchuk: Well, I think those are the two big things I am talking about. But I think as - I think a couple of things. I think I would say three things. One, of course, cars are getting older. They've gotten older every year, and the fact that it's a lower star this year, probably cars will accelerate getting older, we think. And so that's one thing, and that does keep driving it.

Cars keep changing, and so the virus has kind of frozen people in, and so we expect to see a fusillade of new technologies floating out, and then that drives our situation. Secondly, I think you and I don't want to get on the EL to go down to Chicago. I don't think people are going to want to jump on a subway so much anymore, and - or at least depend on that. And so, what we see in China and we start to see it in the northeast is increased driving, because people don't want to depend on collective transportation, because they know that things can go wrong in this situation, on top of which, if you read, you know, commercial real estate in cities, they're going down. And I think residential real estate, I think people are moving out to the suburbs and that means more driving.

And finally, we think that this kind of pause gives more time for new technologies, like advanced driver assistance systems, which change a lot of things and play right into our more complicated product, and maybe even more electric vehicles, which changes the car PARC and helps us sell more tools. We have a kit that we've specially made, fifty-three tools just for electric vehicles. So when they roll out, we'll be ready to roll with them.

Gary Prestopino: Okay, and then my last question, if you want to answer this, I'm just trying to get an idea. I mean, you said that, you know, sequentially, there was an improvement in sales throughout the quarter. Are you still seeing - did you still see a sequential improvement at the early part of Q3? I realize there's some seasonality.

Nick Pinchuk: We don't give guidance, you know, and look, Q3 is a squirrely quarter. However, I - so therefore, you've got vacations in Europe, you've got the SFC, you've got a lot of things floating through there. However, I did say May, June onward. That's about what I'm willing to say.

Gary Prestopino: Okay. That's fine, thank you.

Nick Pinchuk: Sure.

Operator: And next, we have Christopher Glynn of Oppenheimer.

Christopher Glynn: Hey, Nick, just to press on your willingness tolerance there a little bit more, was the May-June onward dynamic for RS&I and C&I, you know, material or negligible?

Nick Pinchuk: Material. I mean, it's - but look, you know, I don't want to get overheated on these kinds of things. Everybody - I said already that, you know, nobody knows how the future's going to go. But what I did say is we are stronger against this kind of disruption by virtue of the accommodation and we will - we don't believe we will get shocked again.

So, if the world rises, maybe we buoy it a little bit more. I - we expect - you know, we're saying we saw that onward motion, and I think implicit in accommodation is we get better and better at dealing with the environment. The shape of the curve is unclear, and I've already said the third quarter is - but I said also, I like what I see.

Christopher Glynn: Okay, and then, you know, you've had some restructuring. You may have some temporary cost actions going away. Is there a way to think about sequential leverage on, you know, whatever uptick we choose to model?

Nick Pinchuk: Well, we have had restructuring because it was in - you know, it's mostly focused on Europe. I think six-tenths of this times $4 million is kind of North America, and - not necessarily. It's kind of European-focused, we'd say, mostly in general. We'd say that because, while we saw - we've been watching the Europe evolve for a while and seeing the weakness of the economics, so we've been preparing for this, and raising through RCI our capacity so we can deal with higher volumes, with less in Europe. That's why we have this restructuring.

I would say this only. There's a lot, I think, implicit in we saying we're investing in product, enhancing our brand, and maintaining our teams. That means we're holding the people, because we actually believe that our people are capable, and I don't know about other people. But we think these people are hard to duplicate, so we're holding onto them for dear life.

Christopher Glynn: Okay, and last one for me, on SOC, you know, I'm wondering if it's, you know, some of the chargeoffs were relatively light in the quarter, considering all that's going on. You talked about some consolidations. There any implications for the back half? Did some of the mechanical calcs of provisioning kind of get deferred in this dynamic, or is it kind of a more continuity -

Nick Pinchuk: You talking about provisioning for the EC? Yes. Look, I'll let Aldo comment.

Christopher Glynn: Yes, I'm just wondering about the financial performance.

Nick Pinchuk: I'll just say this, Chris. I feel better now than I did in the prior - in April. I feel better now. I'll let Aldo comment.

Aldo Pagliari: Yes, Chris, I'd just say that - just to refresh everyone's memory, Q2 typically does see seasonal improvement as you progress from Q1. It's a period of time when people get their tax refunds, and obviously we've probably got a little bit of a bump-up with stimulus checks coming in. But a reminder, not everybody got their tax refund yet, because if you didn't submit your tax return electronically, you're still probably having it be reviewed by the IRS. So, there might be some tailwind that still occurs in Q3 from tax refunds.

Having said that, the deferred payment programs and forbearance, they help a bit with the calculation. So, if you look at the progress from Q1 to Q2, normally we expect a ten to 20 basis point sequential improvement. This time, we saw 70, and year over year was better by 40. I'd say if you look year over year, there's probably 20, 30 basis points associated with the fact that you have deferred programs, so by definition, customers on deferral couldn't be delinquent. So that'll go away a bit, so I think you'll get more traditional levels. But jeez, it looks a lot like a natural disaster from our history in the rearview mirror so far. So, we'll see how the remainder plays out. It's still a pretty volatile environment, but like I said, we're pleased with the chargeoffs in the quarter.

Christopher Glynn: Thanks.

Operator: And now, we'll go to David McGregor of Longbow Research.

David McGregor: Yes, good morning, everybody. Yes, good morning. I wondered just, for the sake of clarity, rather than trying to fumble through a whole bunch of numbers, but just for the sake of clarity, can you just say what the originations would have been excluding the loans to the franchisees?

Aldo Pagliari: Well, the contract receivables were up 26% in the quarter, so that's clearly broken out, if you look at contract receivables. So as Nick has mentioned, EC was down 8.5%, David.

David McGregor: Right. Alright, maybe I'll take that up with you offline. I just want to make sure we're getting to an accurate number here. And then, can you quantify the extent of the returns …

Aldo Pagliari: To make it easy, the loans to the franchisees have nothing to do with EC. It has nothing to do with EC at all. So the EC originations stand alone.

David McGregor: I understand that. I'll take it up with you offline, if that's okay. Returns, I wonder if you could quantify the extent of the returns in the quarter and the extent - I know they're treated as a contract revenue account, so the extent to which they were a headwind for Tools Group organic growth.

Aldo Pagliari: Jeez, I don't think there was anything notable in the quarter.

Nick Pinchuk: I don't think there's anything notable in the quarter in that regard. I mean, I - from our perspective, it was just a regular quarter in terms of the returns, which we tend to look at. So I mean, I think that our guys didn't necessarily flush a lot back into the system, more than they do, you know, in any regular quarter. There's some back and forth. But that didn't affect things in this situation. I mean, our franchisees, we think, are in pretty good shape.

David McGregor: Well, I guess that was my next question, is just - I mean…

Nick Pinchuk: Well, I think the thing is, some people might think franchisees are on hold. You know, or things like that. But that's not really - you know, actually, there's a record for holds this quarter. It's the all-time low.

David McGregor: Or - could you clarify that for me, the record?

Nick Pinchuk: Yes, there's a number of franchisees that are not paying, you know, that are in duress. They get to be on hold.

David McGregor: ((Inaudible)) is that due to the forbearance and the accommodations?

Nick Pinchuk: No, the forbearance came way down at the end of the quarter.

David McGregor: Okay. And then, I guess overall, I wanted to ask about franchisee creditworthiness, because you know, this whole slowdown in mid-April came right after the regional kickoffs, when guys would have had a fairly high level of inventory, which makes it a little surprising to hear that you didn't see any kind of an inflection in returns. But that being the case, how do you feel about creditworthiness overall right now?

Nick Pinchuk: Well, we think - actually, we think they're in pretty good shape. I mean, their sales off the van are - you know, I think when you look at them from a year over year point of view and you look at them for this situation, they describe what I talked about in terms of shock, accommodation and as I said, they are pacing ahead of the Tools Group. So that's a pretty positive, you know, from a quantitative point of view.

From a qualitative point of view, you know, when you talk to a broad group of them, you get - you kind of get some very positive feedback in terms of - of course, I'm the CEO, so maybe I do get feedback. But you hear experiences, and when I'm in the garages, the garages seem to be working.

You have technicians dipped in the shock, but they came sort of pretty - back pretty quickly, and the garages are humming. Every garage I was at, the parking lot of the repair garage was mobbed.

David McGregor: Do you think there's going to be a need for any root consolidation?

Nick Pinchuk: No, I don't think so. But you know, you look at everything, David. But I don't think so. I don't think so.

David McGregor: Last question for me is just on the operating expenses. You had a little bit of a pullback here, a reduction. So, I guess congratulations on that. But I'm guessing a large measure of that may have been associated with the volume reductions. So I guess the question is, if we end up with a W-shaped recovery rather than the V-shape that you seem to be assuming, what's the opportunity to take more out of the SG&A and the operating expense line, going forward?

Nick Pinchuk: Well, look. I think first of all, you know, I don't know if you'd call it travel volume-related or not. You know what I mean? I'm not sure it's so volume-related, but you get travel and a lot of different things. In other words, you have some reductions in this interim while you keep - while you do things. You know, for example, you're not renting a hall or putting on a meal when you bring people together on a Zoom situation.

Now, it may be not as effective, but the thing is, you do work on that. So it's not all volume-related. And I think I've already said, though, that we're determined to maintain our franchisees, maintain our brand, you know, invest in new product and keep our team intact. And I would suggest that we see that, going forward, because we believe we have great opportunities going forward.

So my principle view, my principle approach to this - our principle approach is to weather the storm, and I think we're doing that pretty good, given the levels of where we are. I mean, look at the cashflows and the absolute numbers of the returns, and then come out stronger because we're pretty sure we're going to have big opportunities.

So if it's not an upward slope, you know, if it's not an upward slope, if it dips down some, we won't get shocked again. We'll get over it and we'll come out stronger.

David McGregor: Hey, just one last quick one, if I could. You mentioned the record low credit hold for franchisees. Is that due to an increase in franchisee attrition?

Nick Pinchuk: No, no, no.

Operator: And we'll move on to our next question. And that question will come from Brett Jordan of Jefferies.

Brett Jordan: Hey, good morning, guys.

Nick Pinchuk: Hi, Brett.

Brett Jordan: My question is on inventory, I guess. You commented that terms were down at 2.3 times to support critical industries, and I guess the longer-term trend has gone from, you know, north of four to north of two. Is there something structurally different in the working capital model or, you know, what you're committing to for the critical industry customers as far as holding inventory? And I guess, you know, could you give us sort of an idea of what kind of product profile this is that's building in the inventory?

Aldo Pagliari: Yes, Brett, Aldo…certainly we are continuously adding products that cater to the critical industries. There is unique requirements. Sometimes they're lower volume, so it doesn't have the same level of addition as when a new product is introduced to the Tools Group. But if you want to be a serious player in oil and gas, and natural resources, and aviation, there are certainly unique products that do not sell into the mechanics space that you have to have there. So, we've been doing that as well.

In addition, there are a lot of projects that we call it kitting activity. And that array, in kitting activity, as an example, you might have 100 different items in the kit as you stage it, as you prepare for it. It requires higher levels of inventory as you prep and wait for other incoming items, because not everything comes from a Snap-on facility. Oftentimes, the military or an aviation customer might like certain things that do not come from Snap-on, that they want that kitted and arrayed with a tool storage cabinet that we might prepare for them, and we have a variety of different products that do that. And therefore, accommodating those requests has forced us to expand both floor space and inventory, when it comes to these things, and we like that business.

Brett Jordan: Okay. Is there sort of a target turns number, I guess ex-COVID, where the sales obviously evaporated, but is there a ballpark we should be shooting for as far as that number?

Aldo Pagliari: We think it could be better. We don't have an exact target that I'm going to delineate here today, but we think it could be better. I mean, obviously the current situation puts a depressant on turnover tactics. But we've been getting a pretty good return on our inventory and in a low interest rate environment, we're more than willing to make investments in inventory, if we truly believe it'll generate incremental sales.

Nick Pinchuk: We don't see inventory necessarily as an independent variable. We like to see a return on it. If we get a return on it, we're happy.

Brett Jordan: Okay. And then one question, I guess the franchise event that usually is held in August, I assume, is probably not as a live. Are you going to do anything sort of virtually or ((inaudible)) a sales promotion to offset what would have been the get-together?

Nick Pinchuk: Yes, we have an event we're going to call Live from the Forge, from our Idea Forge here in Kenosha. And so, we're going to go through a virtual event, trying to create the selling opportunity, you know, the ability to see new product in different forms like franchisees would get when they journey to places like Florida and went to the football field. So we'll have that, and so we won't have it in August. We'll have it, you know, coming up. But we will have it in August, probably at the same time. But it's kind of geared at giving the franchisees a similar opportunity from a new product point of view, from a product ordering point of view. Unfortunately, we won't be able to get as much of the training or the - I guess the cultural bonding that occurs at the other franchisees. But we're going to have an event that replaces it.

Brett Jordan: Okay, great. Thank you.

Nick Pinchuk: Okay.

Operator: And now, we'll go to Ivan Feinseth of Tigress Financial Partners.

Ivan Feinseth: Thank you for taking my questions.

Nick Pinchuk: Sure, Ivan.

Ivan Feinseth: So, how are you guys doing?

Nick Pinchuk: Great.

Ivan Feintseth: The average age of the vehicles on the road have now touched to a record high of almost 12 years. Do you track that to see - I mean, when vehicles age? Are you selling more tools, or when new car sales are increasing, ((inaudible))?

Nick Pinchuk: No, no. Actually, Ivan, we don't have a direct relationship to new car sales. It's the aging of the vehicles and it's the changing of the vehicles that drives our requirements. We can be indirectly affected by a downturn, and what are they going to sell? 12 million this year, 11 and a half, which is a downturn. And the psychological impact on dealerships and the OEMs themselves can ripple through some of that project business, or some of the willingness of dealerships to embark on capital projects.

But it isn't a direct relationship where aging of the vehicles and the new technologies in the vehicles are direct relationships, requiring technicians to deal with either more volume or newer types of systems where they have to have different tools.

Ivan Feinseth: And then one of the amazing things in the pandemic is that the CEO from Polaris said earlier in the week that they are experiencing unprecedented demand for off-road vehicles and motorcycles. I mean, this has shockingly, I guess, created - sales are on fire for all kinds of, like, waverunners and ATVs and side by sides and even motorcycles. And even though Harley had a tough quarter, I think they're going to turn and they'll see strength as well. How do your franchisees kind of penetrate the mechanics in that area? Also, in a number of those places, they have a shortage of mechanics.

Nick Pinchuk: Sure. I think there's been a shortage of mechanics in a lot of places for a long time. I think the deal is that they're graduating 77,000 a year from technical schools, and they need 105,000 a year by retirement. So there has been a shortage, and so you have to - it's been for some time, so you try to get that. Our people are - our franchisees are in some of those places. But these are the advantages we think we - the opportunities we think we have. You know, we say there's 1.3 million technicians in the United States, and we only call on 850,000 of them. And some of those are the places like the off-road vehicles, where we may not get to.

And so, we have an opportunity. We think, coming out of this, we've got tremendous opportunities, particularly if you're saying people turn to - instead of going to - instead of maybe taking more collective transportation, turn to RVs and other things, we think that's good for us.

Ivan Feinseth: RV sales are on fire. ATV sales are on fire. Everybody - you know, all kinds of personal transportation. Used car sales have been on fire. You know, new car sales, the factories were shut down for a while because of the pandemic. But I'm sure that that will pick up. So, yes, I think people who are going to move away from cities - if they work at home, then they don't have to be near cities. They can be anywhere, and then I think that will drive the need for personal transportation, cars, boats, ATVs, recreational type of stuff. So, is there going to be a focus on developing specific tools for those types of vehicles? And then, one last question. You said you have 53 specific tools for EVs. Can you give us some idea of what - like a specific EV tool would be?

Nick Pinchuk: Well, a lot of them would be - a great category would be we call them insulating tools. You know, you poke yourself - you poke around underneath an electric car, you're liable to fry yourself. So, we have - these are tools which specifically create insulation between the point of contact and the user. And so, we have an array of those in which we think will be very efficacious in this situation. And so, I think they're going to be used - and then we have other tools as well, that deal with the specific mechanisms under an electric vehicle. But we think - you're pointing out - you just pointed out there's all these opportunities where change is our friend. And we think change is coming, in this situation.

Ivan Feinseth: I love it.

Nick Pinchuk: Okay.

Ivan Feinseth: Thanks again. Stay well, and it was good to talk with you. You, too.

Nick Pinchuk: Take care.

Aldo Pagliari: Take care.

Operator: And now, that does conclude today's question and answer session. I would like to turn things back to Sara Verbsky for any additional or closing comments.

Sara Verbsky: Thank you all for joining us today. A replay of this call will be available shortly on Snapon.com. As always, we appreciate your interest on Snap-on. Good day.

Operator: And with that ladies and gentleman, that does conclude today’s call. We’d like to thank you again for your participation. You may now disconnect.