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Operator: Ladies and gentlemen, good day and welcome to the Snap-on Incorporated 2020 Fourth Quarter Results Investor Conference Call. Today's call is being recorded. And at this time, I would like to turn the call over to Sara Verbsky, Vice President of Investor Relations. Please go ahead, ma'am.

Sara Verbsky: Thank you, Abby, and good morning, everyone. Thank you for joining us today to review Snap-on's fourth 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 have provided slides to supplement our discussion. These slides can be accessed under the downloads tab in the webcast viewer as well as on our Web site, snapon.com, under the Investors section. These slides will be archived on our Web site along with the 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. Good morning, everybody. Today, I'll start with the highlights of our fourth quarter. I'll give you my perspective on how the virus is playing out, on the trends we see today and going forward, and I'll speak about our physical and financial progress. Then Aldo will give you a more detailed review of the financials.

To start with, I'll just say, we are encouraged by the quarter. It was strong, but we believe we can reach even higher. This year was something - a lot of unusual events. But when you look through it all, Snap-on saw headwinds, but we met those challenges, absorbed the shock, developed accommodations to the environment, moved forward on a clear recovery, and we believe we exited the year stronger than ever. We did have disparities from group-to-group and within each group, but our overall sales and profitability improved both sequentially and year-over-year for the second straight quarter, achieving new heights despite the virus.

Through the year, the Snap-on team continued to make progress, accommodating to the threat, pursuing our essential commercial opportunities safely and moving along upward trajectories consistent with our general projections on how the days of the virus would unfold. Geographically, the impact of the COVID continues to be varied for us. Asia-Pacific remains virus challenged. Southeast Asia and India are still in deep turbulence. And while the U.S. and Europe actually seem to be further ahead in accommodation and are moving on to what we call psychological recovery.

For the business segments, we saw the essential nature of our markets rising through the turbulence along our runways for growth, demand for vehicle repair technicians to our franchisee network, directly selling off the vans. It was robust. Again, this quarter, it was robust. Volume with repair shop owners and managers continued to gain and activity in critical industries advanced despite certain sectors like education, oil and gas, U.S. aviation, not returning to growth yet. But you would kind of expect that.

Going forward, we are convinced that we're well positioned on a strong base. But we know we have much more work to do. The environment throughout the world is still impacted by the virus, and many of our businesses have not yet fully recovered against the great withering. But having recognized these headwinds, however, we're also convinced that there will be abundant opportunities as the sky is clear and society pivots toward suburban locations and to more individual transportation.

This is great news for the vehicle repair industry, I got to tell you. And because of that, we're keeping focus on Snap-on value creation, safety…important in these times huh…safety, quality, customer connection, innovation and rapid continuous improvement or RCI. We've been unrelenting in advancing our advantage in products that solve the most critical of tasks, in brands that serve as the outward sign - our brands that serve as the outward sign of the pride and dignity working men and women take in their profession, and in our people, who are deeply committed and very capable. The Snap-on team is a great asset, and we've maintained it through these days of the virus. We've advanced each of these strengths in the turbulence, and it's enabled Snap-on to achieve new heights, and the numbers show it. So that's the overview.

Now the results. Fourth quarter as reported sales of $1 billion, $74.4 million were up 12.5% from 2019, including $9.6 million of favorable foreign currency translation and $7.5 million of acquisition-related sales. Organic sales rose 10.6%, volume gains in the van channel, in OEM dealerships, in diagnostics and repair information, in our European hand tools business, all

demonstrating the abundant opportunities on our runways and our increased ability to take advantage of those opportunities.

From an earnings perspective, operating income, opco OI from the quarter of $216.2 million, including $2.8 million of direct costs associated with the virus, $1 million of restructuring charges for actions outside the United States and $1.5 million hit from unfavorable currency was up 26.1%. And the opco operating margin, it was 20.1%, up 220 basis points, overcoming 30 basis points of unfavorable currency, 30 basis points, 30 points of COVID cost impact, and 10 basis points of restructuring.

For Financial Services, operating income of $68.5 million increased 10.1% from 2019, all while keeping 60-day delinquencies flat to last year in the midst of the pandemic stress test, and that result combined with opco for consolidated operating margin of 24.4%, 190 basis points improvement.

The overall quarterly EPS was $3.82, including a $0.02 charge for restructuring and that result compared to $3.08 last year, an increase of 24%. I did say, new heights.

Now, for the full year, sales were $3 billion, $593 million, a 3.8% organic decline, principally on the first and second quarter shock of the virus before the sequential gains of accommodation took hold. Opco OI $631.9 million, including $12.5 million of restructuring charges, $11.9 million of direct costs associated with COVID-19 and $13.1 million of unfavorable currency compared to $716.4 million in 2019, which benefited from an $11.6 million legal settlement in a patent-related litigation matter.

Opco OI margin, including a 30-basis point impact associated with restructuring, 30 points of direct pandemic expenses, 30 points of unfavorable currency, was 17.6% and compared with 19.2% in 2019, which incorporated 30 basis points of the nonrecurring benefit for the legal

settlement. That's a mouthful, right? But what it says is that despite the great disruption, our full year OI margin was down only 40 basis points, apples-to-apples, demonstrating the special Snap-on resilience that has enabled us to pay dividends every quarter since 1939 without a single reduction.

For the year, Financial Services registered OI of $248.6 million versus the $245.9 million in 2019.

Overall EPS for the period of $11.44 was down 7.8% from the $12.41 reported last year - 2019. Adjusting for the restructuring in the current year and the onetime legal benefit in the prior year, 2020 EPS as adjusted reached $11.63, down 5.1%.

So now let's go on to the individual operating groups. In C&I, volume in the fourth quarter of $364.4 million, including $7.5 million from acquisitions and $6.5 million of favorable foreign currency, was up 3.3% as reported. The activity was essentially flat organically, but represented a continuing sequential C&I rise all the way back to the early shock. Notably, in these numbers, the C&I year-over-year sales were marked by a strong double-digit rise in our European-based hand tool business, growing broadly across Western Europe against the twin challenges of COVID and the Brexit disruption. There are also offsetting decreases in sales to our customers in critical industries and in Asia Pacific. But both these operations joined the overall group in registering substantial quarter-to-quarter sequential improvement. They're still down, but they're clearly recovering.

From an earnings perspective, C&I operating income of $56.2 million increased $11.2 million, including $1.3 million of unfavorable foreign currency effects and $1 million of COVID-related costs. With sales up 3.3% as reported, flat organically, OI grew 24.9%, a nice operating improvement. And the OI margin for the group was 15.4%, up 260 basis points from last year, overcoming 70 basis points of unfavorable currency and 30 points of direct COVID costs. The benefits of RCI and margin gains in the critical industries made all the difference.

Speaking of the critical industries, we did see selective gains, international aviation and heavy-duty registered double-digit improvements. But as you might expect and I referenced before, education, oil and gas, and U.S. aviation continue to be down. And in the quarter, our military sales were also impacted by the wind-down of one of our major kitting programs. But we do remain confident in and committed to expanding in the critical industries, and we see growing opportunities moving forward.

And a principal path to that possibility is customer connection and innovation, creating powerful new products. You heard about our European hand tool business. It showed significant resiliency in the quarter, and it was aided by a good dose of innovation, products like our recent expansion to our Bahco Custom Kitting System, extending our direct-to-user possibilities. Our new "Fit & Go" product line allows buyers to quickly develop semi-bespoke kits in foam tool control, consists of more than 200 preconfigured different tool sets, designed around 26-inch wide Bahco roll cabs, available in 3 standard foam configurations, 1/3 drawer, 2/3 drawer and a full drawer. Customers can choose the particular box, drawer configuration and the tool array needed right from our bahco.com Web site, reaching end users without distributor interaction. And if a wider range of specialization, and sometimes it is, specialization is required, our sales reps can help develop just the right unit using the full breadth of the Bahco system. We've had great success with our new Fit & Go. It's an important extension of our hand tool presence in Europe. And in the quarter, it helped boost SNA Europe to achieve that double-digit growth in a very challenging environment, I think everybody would agree.

C&I demonstrating further accommodation with continuing - continued sequential gains, serving the essential. Each of the businesses generating a positive trajectory and exiting the quarter stronger than when they entered, and product authored a big piece of that progress.

Now onto the Tools Group. As reported sales up 20.2% to $494.9 million, including $2.2 million of favorable foreign currency and an $81 million or 19.6% organic increase, the second straight quarter of strong gain, with the U.S. and International businesses both growing at double digits. And the Tools Group operating earnings, $93.6 million, including $1.2 million of virus-related costs, that 93 points, including - that $93.6 million included $1.2 million of virus-related costs. And that $93.6 million compared to last year's $54.3 million, an over 70% improvement.

Actually, the Tools Group recovered to positive territory for the full yea., Sales were up 2% organically, with OI rising almost 9% and OI margins up 110 basis points. The continued operating gains of the Tools Group are further affirmation of our view of the COVID trajectory, on the resilience of the vehicle repair business, and on the strength of our direct, face-to-face van model. It turns out that a deep and direct connection with the customers is a differentiator even in a pandemic. And in the quarter and throughout the year, the Tools Group confirmed the market-leading position of our van network.

We believe the franchisees are growing stronger. That's clear in the franchisee health metrics we monitor each period. They continue to trend favorably, and that was acknowledged by a number of respective publications, all listing Snap-on as a franchise of choice. One was the *Franchise Business Review*, where we were again recognized in the magazine's latest rankings for franchisee satisfaction as a top 50 franchise, marking the 14th consecutive year that Snap-on received that award.

Now, this type of recognition reflects the fundamental strength of our franchisees and our van business in general. And it would not have been achieved without a continuous stream of innovative new product developed through our strong customer connections. Throughout the storm, we've added every day to our already considerable insight and experience in the changing vehicle environment. And because of that, we're able to bring forward innovation after innovation,

great products, like our newly released 8-inch Talon Grip FlankJaw pliers, we call it the HJ47ACF with a unique design for significant versatility in both removing and tightening fasteners.

First, our unique FlankJaw, formed with a specially designed, smooth and un-serrated mating area, allows the user to grip a hex shape only on the flat service, positioning the load away from the corners. That's similar to our Flank Drive system on sockets, 30% more torque applied to the fastener while still minimizing damage, eliminating rounded edges. Second, when the fasteners have already been heavily rounded and are tough to grip, our TalonGrip, diamond-serrated jaws, joined at - located at the pliers' tip, generate unparalleled clamping force, up 57% - up to a 57% increase in turning power.

With the Snap-on Talon, technicians can remove even the most damaged and rounded hex fasteners. And for the icing on the versatility cake, the new pliers also feature a patented 3-position, slip joint design for easy changes to the grip position. The HJ47ACF, manufactured right here in our Milwaukee plant in the U.S., and it's been very well received, putting it on a clear path to becoming another one of our hit products, million-dollar selling products just in one quarter.

We also worked hard during the COVID to maintain and further strengthen our brands, celebrating our 100th year, continuing our presence in racing. And most importantly, I think, servicing our customers every day, reinforcing that what they do really is essential and that the display of the Snap-on brand confirms that it's so.

For some time, the Tools Group has also been working to expand franchisee selling capacity. And that effect continued with focus through the pandemic. In the days of the early shock, access to the shops and to the technicians varied widely. And the Tools Group worked to engage social media in bridging the gap. This turned into a powerful tool for pre-briefing customers on products and promotions, reserving the actual face-to-face interaction for closing the deal,

providing a significant franchisee opportunity for selling more products and reaching new customers. Why do you think we're up?

The Tools Group also made strides in redeploying the time saved from restricted travel, everybody's staying at home more today, streamlining the van sales process through RCI and developing more concise customer presentations, so important in pitching products of ever rising complexity. Social media engagement, RCI'd selling and more effective trading, it made the difference, raising franchisee selling capacity to match the strength and capacity of our new products, and the results back it up.

Well, that's the Tools Group. Moving through a V-shaped recovery, recording 2 straight quarters of double-digit expansion, continuing its stream of new products, building the brand, raising selling capacity and strengthening for the future.

Now let's speak of RS&I. The RS&I Group, continuing the accommodation and extending its positive trend. Sales of $361.1 million in the fourth quarter, up 7.8%, 7% organically, excluding a $2.4 million of favorable foreign currency, a steep recovery from the depths of the pandemic. The rise was due to double-digit gains in OEM dealerships, as auto manufacturers began to release new models and launch more essential programs, a high single-digit gain in the sales of our powerful diagnostics and repair information products to independent repair shop owners and managers, and an offsetting low single-digit decline in sales of undercar equipment where garage owners haven't developed sufficient confidence to invest broadly in upgrading or expanding their facilities. RS&I operating earnings of $90 million improved $2.8 million as the mix of lower-margin OEM project sales diluted the volume improvement and as the group recorded $1 million in charges for a small European-focused restructuring.

Our diagnostics and information-based operations have recorded continuous growth for some time, the sales to independent repair shop owners and managers. They've had continuous growth

for some time, and innovative new products are the key to that success. And the fourth quarter was no exception. We just began shipping our new 20.4 software update for our diagnostics platforms in North America, full coverage for the 2020 vehicles, additional reprogramming facility, increased functional test capabilities and an expansion of our unique advanced driver assistance or ADAS content, so critical these days for engaging vehicle automation. This software represents another move forward in our already powerful, already market-leading intelligent diagnostics and repair information product lines. And it's being well received. Thousands of technicians all across the U.S. and Canada will be upgrading to this very capable new addition before the next update is released in May. And then we'll start again. RS&I is building a powerful position in the vehicle repairs - in vehicle repair software that meets the changing mobility environment. And the 20.4 is another step in that direction. We're confident in the strength of RS&I, 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 our fourth quarter. Absorbing the shock, driving accommodation, moving on to psychological recovery, keeping our people safe while we serve the essential. All of that is working, building Snap-on's advantage, and the results show it. Sequential gains from the third quarter and significant growth from last year, sales up 12.5%, 10.6% organically, OI margin, 20.1%, 220 basis points higher. Financial Services continuing to deliver, navigating the virus with strength and without disruption. And EPS of $3.82, up 24%, all achieved while maintaining and expanding our advantages in products, brands and people, ending the year stronger, ready for more opportunities to come. It was an encouraging quarter.

Now I'll turn the call over to Aldo. Aldo?

Aldo Pagliari: Thanks, Nick. Our consolidated operating results are summarized on slide 6. The fourth quarter of 2020 was strong with respect to Snap-on's financial performance. Sales development was robust, both year-over-year and sequentially. Gross profit and operating earnings margins

expanded, and cash flow generation was again healthy. Net sales of $1 billion, $74.4 million in the quarter compared to $955.2 million last year, reflecting a 10.6% organic sales gain, $9.6 million of favorable foreign currency translation, and $7.5 million of acquisition-related sales. The organic increase principally reflected double-digit growth across Snap-on Tools segment and high single-digit gains with repair shop owners and managers in the Repair Systems & Information segment.

We've again identified direct costs associated with COVID-19, which totalled $2.8 million this quarter. 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. Also in the quarter, we recorded $1 million of restructuring cost actions for Europe.

Consolidated gross margin of 48% compared to 47.2% last year. The 80 basis point improvement primarily reflects the higher sales volume and benefits from the company's RCI initiatives, partially offset by 30 basis points of unfavorable foreign currency effects and 10 basis points of direct cost associated with COVID-19.

Operating expenses as a percentage of net sales of 27.9%, improved 140 basis points from 29.3% last year, primarily reflecting the impact of the higher sales, which more than offset the 30 basis points related to restructuring and direct costs associated with COVID-19.

Operating earnings before financial services of $216.2 million, including $2.8 million of direct costs associated with COVID-19, $1 million of restructuring costs and $1.5 million of unfavorable foreign currency effects compared to $171.4 million in 2019, reflecting a 26.1% year-over-year improvement. As a percentage of net sales, operating margin before financial services of 20.1%, including 30 basis points of direct costs associated to the COVID-19 pandemic and 30 basis points of unfavorable foreign currency effects, improved 220 basis points from 17.9% last year.

As you may know, Snap-on operates on a fiscal calendar, which results in an additional week to our fiscal full year and fourth quarter every 6 years. As a result, our 2020 fiscal year contained 53 weeks of operating results with the extra week relative to the prior year occurring in the fourth quarter. While the impact of this additional week was not material to Snap-on's consolidated fourth quarter total revenues or net earnings, our financial services segment did earn an additional week of interest income on its financing portfolio. At the consolidated level, the net earnings benefit from the additional week of financial services interest income was largely offset by a corresponding additional week of fixed expenses, primarily personnel-related costs and interest expense.

With that said, financial services revenue of $93.4 million in the quarter of 2020 compared to $83.9 million last year, primarily reflecting the extra week of interest income and the growth in the financial services portfolio. Financial services operating earnings of $68.5 million, increased $6.3 million from 2019 levels, principally due to the higher revenue but partially offset by increased variable compensation and other costs.

Consolidated operating earnings of $284.7 million, including $2.8 million of direct COVID-related costs, $1 million of restructuring costs, and $1.3 million of unfavorable foreign currency effects, compared to $233.6 million last year. As a percentage of revenues, the operating earnings margin of 24.4% compared to 22.5% in 2019. Our fourth quarter effective income tax rate of 21.8% compared to 22.3% last year.

Finally, net earnings of $208.9 million, or $3.82 per diluted share, including a $0.02 charge for restructuring, increased $38.3 million, or $0.74 per share, from 2019 levels, representing a 24% increase in diluted earnings per share.

Now let's turn to our segment results. Starting with the C&I Group on slide 7. Sales of $364.4 million increased 3.3% from $352.9 million last year, reflecting $7.5 million of acquisition-related sales and $6.5 million of favorable foreign currency translation, partially offset by 0.7% organic sales decline. While organic sales were essentially flat as compared to last year, they did improve sequentially in a more meaningful manner than what we see in our typical seasonal patterns, with organic sales up 14.6% from the third quarter of 2020. As compared to last year, the organic sales decline primarily reflects a mid single-digit decrease in our Asia Pacific operations and a low single-digit decline in sales to customers in critical industries, offset by double-digit gains in the segment's European-based hand tools business.

Within Asia, similar to last quarter, sales to customers in India and Southeast Asia continue to be impacted by the effects of the pandemic. Across critical industries, while year-over-year sales declined in natural resources, including oil and gas, U.S. aviation and technical education, sales into these markets have improved from third quarter comparisons. This quarter's year-over-year gains were reflected across international aviation, heavy-duty and nonmilitary government-related activity. Sales to the U.S. military were lower as compared to the prior year, as the fourth quarter of 2019 included sales for a major project that is winding down.

Sales increases in our European-based hand tool business were evident across the region, particularly in France and the United Kingdom, as well as in our Scandinavian and export markets. Gross margin of 37.8% improved 230 basis points year-over-year, primarily due to increased sales in higher gross margin businesses and declines in lower gross margin sales to the military, as well as from benefits of RCI initiatives. These increases were partially offset by 60 basis points of unfavorable foreign currency effects and 20 basis points of direct COVID-19 cost.

Operating expenses as a percentage of sales of 22.4% improved 30 basis points as compared to last year. Operating earnings for the C&I segment of $56.2 million, including $1.3 million of

unfavorable foreign currency effects and $1 million of direct COVID-19 cost compared to $45 million last year. The operating margin of 15.4% compared to 12.8% a year ago.

Turning now to slide 8. Sales in the Snap-on Tools Group of $494.9 million increased 20.2% from $411.7 million in 2019, reflecting a 19.6% organic sales gain and $2.2 million of favorable foreign currency translation. The organic sales increase reflects double-digit gains in both our U.S. and international operations. This reflects a 9.5% organic sequential gain over a strong third quarter 2020 sales performance.

Gross margin of 42.9% in the quarter improved 270 basis points, primarily due to the higher sales volumes and benefits from RCI initiatives. Operating expenses as a percentage of sales of 24% improved from 27% last year, primarily due to the impact of higher sales volumes and savings from cost containment actions, which more than offset $1 million or 30 basis points of COVID-19-related costs. Operating earnings for the Snap-on Tools Group of $93.6 million compared to $54.3 million last year. The operating margin of 18.9% compared to 13.2% a year ago, an increase of 570 basis points.

Turning to the RS&I Group, shown on slide 9. Sales of $361.1 million compared to $335 million a year ago, reflecting a 7% organic sales gain and $2.4 million of favorable foreign currency translation. The organic increase includes a double-digit gain in sales to OEM dealerships, particularly in sales related to OEM facilitation programs and a high single-digit increase in the sales of diagnostics and repair information products to independent repair shop owners and managers. These increases were partially offset by a low single-digit decline in sales of undercar equipment. Sequentially, RS&I organic sales improved by 13.2%.

Gross margin of 46.1%, including 10 basis points of unfavorable foreign currency effects, declined 160 basis points from last year, primarily due to the impact of higher sales of lower gross margin businesses, including facilitation program related sales to OEM dealerships.

Operating expenses as a percentage of sales of 21.2%, including 30 basis points of cost from restructuring, improved 50 basis points from 21.7% last year, largely reflecting the mix of business activity in the quarter. Operating earnings for the RS&I Group of $90 million compared to $87.2 million last year. The operating margin of 24.9%, including the effects of 20 basis points of unfavorable foreign currency effects and 10 basis points of direct costs associated with COVID-19, compared to 26% a year ago.

Now turning to slide 10. Revenue from Financial Services of $93.4 million compared to $83.9 million last year. This includes the additional days of accrued interest associated with the 53rd week in our 2020 fiscal calendar. Financial Services operating earnings of $68.5 million compared to $62.2 million in 2019. Financial Services expenses of $24.9 million increased $3.2 million from last year's levels, primarily due to higher variable compensation and other costs, partially offset by a year-over-year decrease in provisions for credit losses. Compared to the fourth quarter last year, provisions for credit losses were lower by $700,000, while net charge-offs of bad debts were lower by $1.3 million. As a percentage of the average portfolio, Financial Services expenses were 1.1% and 1% in the fourth quarters of 2020 and 2019, respectively.

In the fourth quarter, the average yield on finance receivables of 17.7% in 2020 compared to 17.5% in 2019. The respective average yield on contract receivables was 8.5% and 9.2%. The lower yield on contract receivables in 2020 includes the impact 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. As of the end of the quarter, approximately $13 million of these business operating support loans remain outstanding. Total loan originations of $272.4 million in the quarter increased $10 million or 3.8% from 2019 levels, reflecting a 4.5% increase in originations of finance receivables, while originations of contract receivables were essentially flat.

Moving to slide 11. Our year-end balance sheet includes approximately $2.2 billion of gross financing receivables, including $1.9 billion from our U.S. operation. In the fourth quarter, our worldwide gross financial services portfolio increased $20.8 million. The 60-day plus delinquency rate of 1.8% for the United States extended credit is unchanged from last year and reflects the seasonal increase we typically experience in the fourth quarter.

As it relates to extended credit or finance receivables, trailing 12-month net losses of $45.6 million represented 2.62% of outstandings at quarter end, down 8 basis points sequentially and down 29 basis points as compared to the same period last year.

Now turning to slide 12. Cash provided by operating activities of $317.6 million in the quarter increased $120.9 million from comparable 2019 levels, primarily reflecting the higher net earnings and net changes in operating assets and liabilities, including a $53.5 million decrease in working investment, primarily driven by inventory reductions in the period.

Net cash used by investing activities of $73.6 million included $35.4 million for the acquisition of AutoCrib, capital expenditures of $26.5 million, and net additions to finance receivables of $15.9 million. Free cash flow during the quarter of $275.2 million was 129% in relation to net earnings. Net cash used by financing activities of $111.6 million included cash dividends of $66.8 million and the repurchase of 460,000 shares of common stock for $78.7 million under our existing share repurchase program. Full year 2020 share repurchases totalled 1,109,000 shares for $174.3 million. As of year-end, we had remaining availability to repurchase up to an additional $275.7 million of common stock under existing authorizations.

Turning to slide 13. Trade and other accounts receivable decreased $53.9 million from 2019 year-end. Days sales outstanding of 64 days compared to 67 days at 2019 year-end. Inventories decreased $13.9 million from 2019 year-end, including a $40.1 million inventory reduction, partially offset by increases from $23.2 million of currency translation and $3 million from

acquisitions. On a trailing 12-month basis, inventory turns of 2.4 compared to 2.6 at year-end 2019 and 2.4 at the end of the third quarter 2020.

Our year-end cash position of $923.4 million compared to $184.5 million at year-end 2019. Our net debt-to-capital ratio of 12.1% compared to 22.1% at year-end 2019. In addition to cash and expected cash flow from operations, we have more than $800 million in available credit facilities. As of year-end, there were no amounts outstanding under the credit facility, and there were no commercial paper borrowings outstanding.

That concludes my remarks on our fourth quarter performance. I'll now briefly review a few outlook items for 2021. We anticipate that capital expenditures will be in the range of $90 million to $100 million. We currently anticipate absent of any changes to U.S. tax legislation that our full year 2021 effective income tax rate will be in a range of 23% to 24%.

I'll now turn the call back to Nick for his closing thoughts. Nick?

Nick Pinchuk: Thanks, Aldo. Snap-on fourth quarter, we are encouraged by where we've been and by where we're going. You see, we believe that we exit 2020 stronger, more capable and more advantaged than when we entered the year. The virus came, we absorbed the shock, we accommodated to the turbulence, and we forged a V-shaped recovery, as we anticipated in the depths of the difficulty.

We believe the year is vivid testimony to Snap-on's resilience and to our ability in turning change and challenge to our advantage, and the fourth quarter performance says its so. Sales up 12.5% as reported, 10.6% organically. OI margin, 20.1%, up 220 basis points against 30 basis points of unfavorable currency, 10 basis points of restructuring charges and 30 basis points of direct COVID cost. Strong improvement.

C&I sales, clear sequential gains. OI margin of 15.4%, rising 260 points. RS&I sales up 7% organically. OI of 24.9% down, but still in heady territory. Financial Services revenue and profits all up, portfolio solid in the storm. And finally, the Tools Group. Sales up 19.6% organically, profits up 72.4%, OI margin of 18.9%, rising 570 basis points, good numbers. But more importantly, underscoring our belief that the franchisee selling capacity has expanded and is positioned for more gains.

And all of that, it all came together to author an EPS in the quarter of $3.82, up 24% from 2019; new heights in the great turbulence of 2020. And these heights were achieved while still nurturing our product, our brand and our people, preserving and amplifying our natural advantages.

We do believe we leave the year at full and expanded strength and ready to reach higher and farther, amid the abundant opportunities of 2021 and the years beyond.

Before I turn the call over to the operator, I'll speak directly to our franchisees and associates. We celebrate your contributions as you perform your essential tasks, and we're confident your effort in preserving our society will be remembered for years to come. For your success in authoring the encouraging results of our fourth quarter, you have my congratulations. And for your steadfast commitment to our present and for your unwavering belief in our future, you have my thanks.

Now I'll turn the call over to the operator. Operator?

Operator: Thank you. If you would like to ask a question, please signal by pressing "star" "1" on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, it is "star" "1" to ask a question.

And we will take our first question from Scott Stember with CL King.

Scott Stember: Congratulations on a very strong quarter. Particularly, when you look at the Tools Group and if you look at the year-over-year number, I think you said organically up 2%. It looks like you've essentially offset what you lost during the COVID period. But can you just frame out how much of that was catch up? And how much of that - is there a new incremental layer of growth? You talked about people not traveling, and being around, and do you see, I guess, some positive things coming. Just your views on the Tools Group.

Nick Pinchuk: Yes. I think the story of the Tools Group is they took the COVID and if you look at the endpoints, they're unaffected. You know what I mean, if you look at the end points, they're pretty good. And I think part of it is, sure they got shocked and they had to accommodate, but they came back. And that's really the story of the corporation. But if you want to talk about recovery, I think, certainly, in the third quarter, we had some recovery. You're coming out of those deep days of the virus in the end of the first quarter and second quarter.

Fourth quarter, it's harder to judge that. We think the expanded capacity and the impact of the new products coming out of the SFC drove things. Now you can step back and look at one other thing is that, gee, if you're tempted to think about that, realize that sales off the van kind of matched up. And sales off the van were up significantly more than the sales to the van in the year. So I would say things are kind of chunking along. We can talk about what's up and down and so on, but we think the Tools Group is in good shape. We think its product is where it is. And that's why I spent time on the discussion talking about expanding the capabilities of our franchisees because we said that there are 2 boundaries to the Tools Group, it's time and space, and we think we've broken through some of the time.

Scott Stember: Got it. So just again, you did - you said that it was up significantly more than the sell-in, just to make sure I heard that correctly?

Nick Pinchuk: Yes, significantly more than the Tools Group. Off the van was - if you look at the full year, off the van was more than to the van and the better - it changes from month-to-month, but generally, kept pace even in the best quarters - best periods.

Scott Stember: Yes. Again, your view longer-term hasn't changed mid-single-digit growth for this segment? Just to clarify that.

Nick Pinchuk: Yes. It hasn't changed. I think we get…let's take one step at a time...we get back to where we want to be. We said we're a 4% to 6% grower as a corporation and the Tools Group is at the bottom of that. It's a great and profitable business. We think it's positioned for growth. We'll just take that one quarter at a time, but we're feeling good.

Scott Stember: Got it. And then last question. Within Tools, did you talk about on how big ticket did versus hand tools. Maybe just clarify that a little more?

Nick Pinchuk: I did not - sure, hand tools were stronger, which is one of the great things we're innovating in hand tools. Isn't it interesting that in a complex environment like this hand tools still prosper? And we've seen it forever. Hand tools are a great business. But the big-ticket items continue to go. It's particularly diagnostics, this particular quarter were nice and strong. But - and tool storage was up - but in any kind of environment coming out of the difficulties, like we saw in the financial recession, people take a little bit of time to fully get into psychological recovery and they're willing to pay for or invest in longer payback items, so you're seeing that coming along.

Scott Stember: Got it. That's all I have. Thank you.

Operator: We will take our next question from Luke Junk with Baird.

Luke Junk: First question, Nick, just wondering if we could follow on sales off the van versus your sales in the fourth quarter specifically. Should we assume that it lines up with remarks that you just provided relative to the full year and sort of the general shape of that as we went through the year overall?

Nick Pinchuk: No, I don't want to get into - I don't want to start another reporting number for myself. But the sales off the van were up strong double digits. So - okay. And that followed month-by-month. So we're not seeing any tail off necessarily. We like the momentum.

Luke Junk: Okay. I'll leave that one there. Second question that I wanted to ask is, if you could expand on the comments that you made on the software side, Nick, in terms of the ADAS content that you rolled out. I just want to understand what that capability is?

Nick Pinchuk: Okay. I'll tell you this. One of the things I talk about is the sales of information and diagnostics to repair shop owners and managers and independent shops, and one of the cornerstones of that lately is in Mitchell 1 is the ADN software, which allows people to deal with difficulties of programming and understanding what's wrong with the - when you have a glitch in the advanced driver assist systems. And as cars go more autonomous, this is even going to get bigger. We - and so that Mitchell 1 has been one of the solid ones. If you go back and look at it, that segment has - that portion has been pretty solid throughout the COVID. And that's one of the things driving it is demand for these products. We - if automakers were going to go to highly automated cars, I'd kiss them tomorrow because our business gets even better because precision is needed, and that's evidence of it.

Luke Junk: And then last question for Aldo, if I could. Just wondering if you could comment on higher steel pricing that we're seeing right now and your ability to offset that both operationally and through pricing actions, given the strength that you're seeing in the Tools Group, especially right now?

Aldo Pagliari: Well, certainly, we always do believe when there's invisible - visible inflation, I should say, that we have the pricing power to deal with it. That said, yes, there's increases on the steel horizon. It takes a few months for them to come into the company because, obviously, you buy and order some inventories in the past months, and you have them in line to arrive, so there's a trailing effect that's there. But historically, if you look back, Luke, we've had these types of gyrations in steel from time-to-time, and we deal with it. We do have pricing power. Then again, I remind everyone, Snap-on is very vertically integrated. So in a way, the good news factor is steel is not as much a percent of the final end product as some people might imagine. So I think that actually does work to our benefit to some degree.

Luke Junk: Great. Thank you for all the color. I'll leave it there.

Operator: We will take our next question from David MacGregor with Longbow Research.

David MacGregor: Nick, congratulations on the good numbers, strong quarter. Help me understand why the spread between tools segment organic growth and the origination numbers is again this quarter in the mid-teens? And you called out diagnostics being strong. I think you may have even said double digits. So I'm really struggling to understand that, but...

Nick Pinchuk: I didn't actually say double digits, just to be clear, I don't think we could reach - sometimes I say things, I don't remember. But certainly, I don't think I said it that time. Look, look, here's the thing. You're right to ask that question. You know, of course, that originations are divorced in time from what we sell to the vans, and so what we're talking about is selling to the vans, and so we have that divorce. But like I said, our hand tools are stronger in this quarter than others because people haven't been investing in big-ticket items as much, but the big-ticket items are still up. Diagnostics was strong, and diagnostics is kind of a mix. It doesn't all go to EC, Dave, increasingly, because as the franchisees get more well healed, they turn - they often use them on

revolving accounts. So they'll put them on their 15-week deal or they may stretch it a little bit, and they don't go to EC. So you get a mix of those things. So if you're trying to figure out where origination is going to go, you have time displacement and you have the split of EC between RA - I mean about diagnostics between RA and EC and then you have tool storage on top of that. So it would be fair to say, though, that, as I said before, the overall big-ticket item wasn't as robust as the overall tool sales.

David MacGregor: Sure. I mean, you called out the sell-through off the truck in the fourth quarter up double - I think there, you did say up double digits, and it was a strong...

Nick Pinchuk: Yes, I did. Yes, I did.

David MacGregor: And a strong cadence through the quarter, I mean on the surface, when you see that great a disparity between organic growth in tools and the originations number, it would look like there was an inventory build on the trucks.

Nick Pinchuk: No, I don't think so. We don't think that. Look, here's the thing. I think I'm saying this, I think it lines up perfectly. The sales off the truck and to the truck kind of line up, all right? And in fact, maybe for the full year, the sales off the truck are higher. So there's an inventory shrink, I guess, in macro. And secondly, what I'm saying is, our sales to the truck are more weighted to smaller-ticket items because people invest in the shorter paybacks in these times. But that doesn't mean that the big ticket malingered. Diagnostics was strong. We liked diagnostics, but I'm not giving you the total number.

David MacGregor: Right. And then what was the impact of the extra week on organic growth in the tools segment?

Nick Pinchuk: It's kind of immaterial really because the extra week is it's between New Year's and Christmas. And you got holidays and you got people relaxing in those periods. So it doesn't really make much difference. It might be - I think, actually, we think - we - in Opco, anyway, we lose money in that week. So, at the expenses, and we don't have much sales.

David MacGregor: So a typical week would be about $40 million of revenues, would it be half that?

Nick Pinchuk: No. Less.

David MacGregor: Less than half that. Okay.

Nick Pinchuk: Because everybody is relaxing. This happens whatever. This happens every year the same way. We don't have a 53rd week every year, but that week is the same every year.

David MacGregor: Okay. Last question for me. Just a question on - I guess, on the cost savings at the SG&A line, specifically within the tools segment, expenses were down about 300 basis points. So nice to see that. It's a very good number. By contrast in the C&I segment, your expenses were down about 30 bps and RS&I, down about 50. So I guess the question is what were you able to cut back on in tools that may not have presented the same opportunity in the other 2 segments? And how much of that - I don't know, let's call it, 250 basis points of discrepancy comes back with normalized conditions in '21?

Nick Pinchuk: I don't know. Look, I think the reason is - one of the reasons is, of course, the Tools Group is much more heavily direct and so because we're selling direct through our - we're selling with our franchisees, we're out there, traveling and servicing them in normal years. And so we're out - we're kind of forward placed in tools more than others, although we like to be in the other places. So you would expect that to be a more target-rich situation, especially in a situation where travel is restricted. As far as going backward, I don't know, I think if you're any operating business, you

feather back these operations, you want to go out and reach people when the sky is clear. Your guess is as good as mine when the sky is clear, and you're going to - they're going to be feathered in. I don't know if it - I doubt if it will all come back, but some of it will come back. I can't give you any guidance on it, though, really. Because we're going to play it period-by-period.

David MacGregor: Okay, thanks. I'll get out of the way and turn it over to others. Thanks Nick.

Operator: We will take our next question from Curtis Nagle with Bank of America.

Curtis Nagle: So I know you guys don't give guidance in terms of any of the operating numbers, but maybe just a little insight, I guess, if you could, in terms of kind of how you're planning out or budgeting the year for the Tools Group, I guess, vis-ˆ-vis things like miles driven, what I think should be a recovering environment for things like collision and other auto work, how is it sort of framing, I guess, you seeing 2021?

Nick Pinchuk: Yes. Maybe I give you - look, miles driven everybody makes a big deal about miles driven, but we never see motion on miles driven short term. I don't think - it plays out - what we've learned is since we've - over the last few years, been bigger in collision, it plays out in the collision business. So you're very right. I mean, collision is down significantly as an industry year-over-year, and we see that, and you're seeing that in our equipment numbers, that isn't in the Tools Group numbers so much. You might see some garages - the garages we visit, but it isn't a big factor in that situation.

Miles driven, I think it's not so much the short term. But we think longer term, it's going to start going up, and there are going to be more cars because people are going to go to smaller - to individual vehicles. Who wants to get on a subway? How many people want to live in a 40 - work in a 40-story building in the future? Maybe you guys - I don't know, but I think there's going to be a motion, a reversal of that. We see - we saw that in China. So we see car ownership and miles

driven in a long way of getting better, and that drives our business. What that means for us in 2021, unclear, but we think it's opportunity. Now we think it's opportunity in the longer term. We're going to play out quarter-by-quarter. What I will tell you is we feel good about the momentum we've had going through the year, closing out the year. We feel good about that. We feel good about how our products are being received. We feel good about the efficacy of our software in the complex business. We feel good about the idea that our van drivers have more time selling. That's what I would tell you.

Curtis Nagle: Okay. Fair enough. And then maybe just a quick follow-up. I guess, any notable changes in terms of the underlying health of the tech population - technician population in terms of income, which I think is still pretty good.

Nick Pinchuk: Actually, income is up. But wages - I'll say - sorry, the wages are up, trailing 12 months and year-over-year in November, we have Bureau of Labor Statistics, so you view that from what you will, but it's up a couple 3%. So the wages are up nicely. So the technicians aren't suffering and they seem - I talked to several franchisees yesterday, and they all seem positive about their customer base. So that's pretty good. And we had our kick-offs and I was in - I Zoomed in to watch parties in Pennsylvania and Florida and Iowa and in New York and they were all positive about their customers. So I think technicians aren't being affected. In fact, maybe they're doing better.

Curtis Nagle: And this is kind of a slow moving, maybe slow-turning thing, but in terms of the ongoing shortages in terms of techs, any improvement there with maybe an opportunity to see more employment?

Nick Pinchuk: Yes. Here's what I'll tell you. Is that we're involved in that. We think that's an opportunity for us. And of course, we're kind of an evangelist for enlisting people in career and technical education. And what we do is we establish Snap-on – education sector is down, but we think it's

going to boom for us because we've been investing in education and our number of certified centers, the education centers that offer Snap-on certification programs, increased 33% in 2020 from 133 to 177. So we think we're in good shape in that situation. So I think technicians are going to come. I think people are working on it. I'm particularly kind of optimistic about the President because his wife, Dr. Jill Biden is in technical education. So I think it will get a good focus.

Curtis Nagle: Sounds good. Good luck on the quarter and thanks very much.

Operator: We will take our next question from Bret Jordan with Jefferies.

Bret Jordan: Good morning guys. I'm going to, sort of, trying to reconcile the tools growth with originations. Are you seeing that maybe mechanics are using other sources of credit, given their lack of spending on vacations or restaurants, other entertainment?

Nick Pinchuk: I don't know. Maybe. You never know. I don't think we're seeing that. I haven't heard that anyway.

Bret Jordan: You're not seeing a cash buyer pick up, I guess?

Nick Pinchuk: ((Inaudible)) what does happen, though, is as our franchisees get more flush, they tend to reach up - and our franchisees are healthier. And they tend to reach up into the lower end of the what we would call, bigger ticket items, particularly in the diagnostics segment. So the big hitter, one of our big boomers is the Apollo D9. And it's kind of for the everyman technician in the middle of the range, and that's the thing that really did well in the quarter.

And that one can be financed by a technician - by a franchisee. So maybe we're seeing some of that. And that one we introduced, I think, at the SFC, it gets rolling out. We gave demonstration

units. It's outselling its predecessor by about 25% in terms of activations, and so it's looking pretty good. So maybe that's heading this, but I just want to caution that it's hard to reconcile in period originations with what sales we have to the van. That's another factor. There are a bunch of factors that are dislocating in that way. Over time, it should be directionally.

Bret Jordan: Okay. And then I guess a question on share gains. Obviously, some really strong quarters back-to-back in Tools, the full year, just, I guess, up a couple of percent. But do you feel that there's any shift in market share in your favor right now? Or is the market overall particularly strong?

Nick Pinchuk: Well, I think - look, I think - I think our markets are overall strong. They're critical repair, in particular, - they're critical and they're essential and in particular vehicle repair that underpins our critical mobility in the nation. But, and I don't really like to talk about market share, but what I'll tell you is, my franchisees are telling us that - I said it in my speech, that we are benefiting from being there through thick and thin. We were there every day in - almost every day in the pandemic, anytime anybody would meet us, our guys were out there, safely, and that has accrued to us. So if that turns into market share, I guess you can interpret it how you will.

Bret Jordan: Okay. Great, thank you.

Aldo Pagliari: Thanks Bret.

Operator: And we will take our final question from Christopher Glynn with Oppenheimer.

Christopher Glynn: Kind of a narrow question, but maybe illustrative of how you operate. I think you mentioned growth in international aviation, even double-digits, pretty at odds with the context of that margin. So is that kind of a start-up initiative? Or is it off a decent base? Just looking for a little bit more on that?

Nick Pinchuk: Well, look, our international business is not fully equal to the U.S. business in aviation and critical industries, but it's a reasonable comparison. This isn't like $300,000, and we doubled it to $600,000. That's not it. So generally, that business, I think, broad aviation - is enough to bring aviation in total sort of up. So I mean, it's a good business. All I can say is go figure. Where we're getting - I guess, it's a credit to the quality of our tools, the importance. Now remember, one of the things we've done in industrial that has got us - I think, got great popularity is we are leaning more and more on these customized kits. I talked about it, SNA Europe, and we were banging in those customized...it was gangbusters on the customized kits for the last several quarters, and we are expanding capacity in that. In fact, that's one of the investments next year we're looking at, to expand our capacity in customized kits, and international aviation is part of it.

Christopher Glynn: Great. Thank you.

Operator: I would like to turn the call back to Sara Verbsky for any additional or closing remarks.

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 in Snap-on. Good day.

Operator: Ladies and gentlemen, this concludes today's call. And we thank you for your participation. You may now disconnect.