

Quarterly Financial Review

Second Quarter 2021



Cautionary Statement

- These slides should be read in conjunction with comments from the July 22, 2021 conference call. The financial statement information included herein is unaudited.
- Statements made during the July 22, 2021 conference call and/or information included in this presentation may contain statements, including earnings projections, that are forward-looking in nature and, accordingly, are subject to risks and uncertainties regarding Snap-on's expected results; actual results may differ materially from those described or contemplated in these forward-looking statements. Factors that may cause actual results to differ materially from those contained in the forward-looking statements, including those found in Snap-on's reports filed with the Securities and Exchange Commission, and the information under "Safe Harbor" and "Risk Factors" headings in its most recent Annual Report on Form 10-K, which are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the July 22, 2021 conference call and/or included in this presentation, except as required by law.
- This presentation includes certain non-GAAP measures of financial performance, which are not meant to be considered in isolation or as a substitute for their GAAP counterparts. Additional information regarding these non-GAAP measures is included in Snap-on's July 22, 2021 press release and Form 8-K, which can be found on the company's website in the investors section at www.snapon.com.

Who We Are

OUR MISSION

The most valued productivity solutions in the world

BELIEFS

We deeply believe in:

Non-negotiable Product and Workplace Safety

Uncompromising Quality

Passionate Customer Care

Fearless Innovation

Rapid Continuous Improvement

VALUES

Our behaviors define our success:

We demonstrate Integrity.

We tell the Truth.

We respect the Individual.

We promote Teamwork.

We Listen.

VISION

To be acknowledged as the:

Brands of Choice

Employer of Choice

Franchisor of Choice

Business Partner of Choice

Investment of Choice

Nick Pinchuk

**Chairman &
Chief Executive Officer**



Aldo Pagliari

**Senior Vice President &
Chief Financial Officer**



Consolidated Results

(\$ in millions, except per share data - unaudited)	Q2 2021		Q2 2020		Change
	\$	%	\$	%	
Net sales	\$ 1,081.4		\$ 724.3		49.3 %
➤ Organic sales	316.9				42.5 %
➤ Acquisitions	19.6				2.7 %
➤ Currency translation	20.6				4.1 %
Gross profit	\$ 543.1	50.2 %	\$ 341.2	47.1 %	
Operating expenses	326.0	30.1 %	250.1	34.5 %	
Operating earnings before financial services	\$ 217.1	20.1 %	\$ 91.1	12.6 %	138.3 %
Financial services revenue	\$ 86.9		\$ 84.6		2.7 %
Financial services operating earnings	68.9		57.6		19.6 %
Operating earnings	\$ 286.0	24.5 %	\$ 148.7	18.4 %	92.3 %
Diluted EPS – as reported	\$ 3.76		\$ 1.85		103.2 %
Diluted EPS – as adjusted*	\$ 3.76		\$ 1.91		96.9 %

- As compared to the second quarter of 2020, net sales in the period increased 49.3% from \$724.3 million in 2020, reflecting a 42.5% organic sales gain, \$19.6 million of acquisition-related sales, and \$20.6 million of favorable foreign currency translation
- Gross margin of 50.2% improved 310 basis points (bps) from 47.1% last year primarily due to higher sales volumes, 30 bps from lower costs related to \$2.0 million of restructuring actions recorded in 2020 and benefits from Rapid Continuous Improvement (“RCI”) initiatives, partially offset by 20 bps of unfavorable foreign currency effects
- Operating expenses as a percentage of sales of 30.1% improved 440 bps from 34.5% last year primarily due to higher sales volumes and 20 bps of lower costs related to \$2.0 million of restructuring actions recorded in 2020, partially offset by costs associated with higher stock-based expenses and 70 bps of unfavorable acquisition effects
- As a percentage of net sales, operating earnings before financial services of 20.1% improved 750 bps from 12.6% last year, which included 50 bps of costs from restructuring actions

6 * As adjusted to exclude second quarter 2020 costs related to restructuring actions; see reconciliation of non-GAAP Financial Measures starting on slide 14

Commercial & Industrial

(\$ in millions - unaudited)	Q2 2021	Q2 2020	Change
Segment sales	\$ 350.5	\$ 261.9	33.8 %
➤ Organic sales	71.3		26.3 %
➤ Acquisitions	7.7		2.8 %
➤ Currency translation	9.6		4.7 %
Gross profit	\$ 138.5	\$ 90.2	
% of sales	39.5 %	34.4 %	
Operating expenses	\$ 83.0	\$ 67.3	
% of sales	23.7 %	25.7 %	
Operating earnings	\$ 55.5	\$ 22.9	
% of sales	15.8 %	8.7 %	710 bps

- Organic sales up \$71.3 million or 26.3%
 - Reflecting higher activity in all of segment's operations, including mid-teen increases to customers in critical industries
- As compared to the second quarter of 2019, net sales in the period increased 4.6% from \$335.0 million, reflecting a \$1.4 million organic sales gain, \$7.7 million of acquisition-related sales, and \$6.4 million of favorable foreign currency translation
- Gross margin of 39.5% improved 510 bps from 2020 primarily due to benefits from higher sales volumes and 80 bps from lower costs related to \$2.0 million of restructuring actions recorded in the second quarter of 2020, partially offset by 60 bps of unfavorable foreign currency effects
- Operating expenses as a percentage of sales of 23.7% improved 200 bps from last year
- Operating earnings of \$55.5 million, including \$1.1 million of unfavorable foreign currency effects, increased \$32.6 million, or 142.4%, compared to \$22.9 million in 2020, which included \$2.0 million of restructuring charges; the operating margin of 15.8% compared to 8.7% last year

Snap-on Tools

<i>(\$ in millions - unaudited)</i>	Q2 2021	Q2 2020	Change
Segment sales	\$ 484.1	\$ 323.3	49.7 %
➤ Organic sales	154.1		46.7 %
➤ Currency translation	6.7		3.0 %
Gross profit	\$ 226.5	\$ 134.8	
% of sales	46.8 %	41.7 %	
Operating expenses	\$ 123.0	\$ 96.4	
% of sales	25.4 %	29.8 %	
Operating earnings	\$ 103.5	\$ 38.4	
% of sales	21.4 %	11.9 %	950 bps

- Organic sales up \$154.1 million, or 46.7%, reflecting a gain of approximately 40% in the segment's U.S. franchise business and a gain of approximately 80% in the segment's international operations
- As compared to the second quarter of 2019, net sales in the period increased 19.3% from \$405.8 million, reflecting a 17.1% organic sales gain and \$7.6 million of favorable foreign currency translation
- Gross margin of 46.8%, improved 510 bps from 41.7% last year primarily due to higher sales volumes, benefits from RCI initiatives, and 50 bps of favorable foreign currency effects
- Operating expenses as a percentage of sales of 25.4% improved 440 bps from last year primarily due to higher sales volumes and 20 bps from lower costs related to \$0.6 million of restructuring actions in 2020, partially offset by higher stock-based expenses related to the company's franchisee stock purchase plan
- Operating earnings of \$103.5 million, including \$3.6 million of favorable foreign currency effects, increased \$65.1 million, or 169.5%, from 2020, which included \$0.6 million of restructuring charges; the operating margin of 21.4% compared to 11.9% last year

Repair Systems & Information

(\$ in millions - unaudited)	Q2 2021	Q2 2020	Change
Segment sales	\$ 398.6	\$ 245.0	62.7 %
➤ Organic sales	135.7		54.1 %
➤ Acquisitions	11.9		4.7 %
➤ Currency translation	6.0		3.9 %
Gross profit	\$ 178.1	\$ 116.2	
% of sales	44.7 %	47.4 %	
Operating expenses	\$ 91.4	\$ 65.6	
% of sales	22.9 %	26.7 %	
Operating earnings	\$ 86.7	\$ 50.6	
% of sales	21.8 %	20.7 %	110 bps

- Organic sales up \$135.7 million, or 54.1%
 - Includes an increase of approximately 80% in sales of undercar equipment, as well as a gain of approximately 50% in sales to OEM dealerships, and an increase of approximately 30% in sales of diagnostic and repair information products to independent repair shop owners and managers
- As compared to the second quarter of 2019, net sales in the period increased 14.2% from \$348.9 million, reflecting an 8.4% organic sales gain, \$15.3 million of acquisition-related sales, and \$4.7 million of favorable foreign currency translation
- Gross margin of 44.7% declined 270 bps from 47.4% last year primarily due to the impact of higher sales in lower gross margin businesses and 40 bps of unfavorable foreign currency effects, partially offset by 70 bps of benefits from acquisitions
- Operating expenses as a percentage of sales of 22.9% improved 380 bps from last year primarily due to higher sales volumes and 50 bps from lower costs related to \$1.4 million of restructuring actions recorded in the second quarter of 2020, partially offset by 190 bps of unfavorable acquisition effects
- Operating earnings of \$86.7 million, including \$1.1 million of unfavorable foreign currency effects, increased \$36.1 million, or 71.3%, from \$50.6 million in 2020, which included \$1.4 million of restructuring charges; the operating margin of 21.8% compared to 20.7% last year

Financial Services

<i>(\$ in millions - unaudited)</i>	Q2 2021	Q2 2020	Change
Segment revenue	\$ 86.9	\$ 84.6	2.7 %
Operating earnings	\$ 68.9	\$ 57.6	19.6 %
Originations	\$ 285.8	\$ 255.8	11.7 %

- Originations increased \$30.0 million or 11.7%
- Average yield on finance receivables of 17.5% compared to 17.6% last year
- Average yield on contract receivables of 8.5% compared to 8.2% last year

Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,521.9	\$ 1,913.4	\$ 210.0	\$ 293.2
Portfolio net losses (TTM)	\$ 39.1	\$ 40.8	\$ 2.5	\$ 3.0
60+ Delinquency:				
As of 6/30/21	1.2 %	1.0 %	0.6 %	0.6 %
As of 3/31/21	1.6 %	1.3 %	0.6 %	0.6 %
As of 12/31/20	1.8 %	1.5 %	0.7 %	0.7 %
As of 9/30/20	1.5 %	1.2 %	0.6 %	0.8 %
As of 6/30/20	1.0 %	0.8 %	0.7 %	1.0 %

- Gross finance portfolio of \$2,206.6 million as of June 30, 2021
 - Compares to \$2,219.2 million as of 2020 year end
 - Q2 portfolio growth of \$13.2 million

- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	2 nd Quarter		June YTD	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 238.2	\$ 253.6	\$ 557.5	\$ 467.0
➤ Net earnings	213.2	105.9	410.8	247.9
➤ Depreciation and amortization	25.5	23.8	50.2	47.6
➤ Changes in deferred income taxes	1.7	1.7	4.0	(1.9)
➤ Changes in working investment	23.4	60.0	39.4	72.4
➤ Changes in accruals and other liabilities	(37.0)	67.4	11.7	79.3
➤ Changes in all other operating activities	11.4	(5.2)	41.4	21.7
Net (increase) decrease in finance receivables	\$ (18.7)	\$ (35.0)	\$ (6.6)	\$ (57.1)
Capital expenditures	\$ (18.3)	\$ (11.8)	\$ (37.6)	\$ (29.0)
Free cash flow	\$ 201.2	\$ 206.8	\$ 513.3	\$ 380.9
Free cash flow from Operations	\$ 183.3	\$ 193.8	\$ 426.4	\$ 336.8
Free cash flow from Financial Services	\$ 17.9	\$ 13.0	\$ 86.9	\$ 44.1
Increase in cash	\$ 61.3	\$ 500.4	\$ 42.5	\$ 501.7

- Changes in working investment – Net changes in trade and other accounts receivable, inventory and accounts payable
- Free cash flow – Net cash provided by operating activities less net change in finance receivables and capital expenditures
- Free cash flow from operations – Net cash provided by operating activities, exclusive of financial services, less capital expenditures
- Free cash flow from financial services – Net cash provided by financial services operating activities, less net change in finance receivables and capital expenditures

Balance Sheet

<i>(\$ in millions - unaudited)</i>	July 3, 2021	January 2, 2021
Trade & Other Accounts Receivable - net	\$ 645.4	\$ 640.7
Days Sales Outstanding	56	64
Finance Receivables - net	\$ 1,659.7	\$ 1,666.5
Contract Receivables - net	\$ 483.8	\$ 487.2
Inventory - net	\$ 760.9	\$ 746.5
Inventory turns - TTM	2.7	2.4
Cash	\$ \$965.9	\$ 923.4
Total debt	\$ 1,450.6	\$ 1,450.6
Net debt	\$ 484.7	\$ 527.2
Net debt to capital ratio	10.8 %	12.1 %

Reconciliation of Non-GAAP Financial Measures

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	2 nd Quarter	
	2021	2020
Charges associated with exit and disposal activities (“restructuring charges”)		
Pre-tax restructuring charges	\$ -	\$ (4.0)
Income tax benefits	-	0.7
Restructuring charges, after tax	\$ -	\$ (3.3)
Weighted-average shares outstanding – diluted	55.3	54.8
Diluted EPS – restructuring charges	\$ -	\$ (0.06)
ADJUSTED INFORMATION – NON-GAAP		
Operating earnings before financial services		
As reported	\$ 217.1	\$ 91.1
Restructuring charges	-	4.0
As adjusted	\$ 217.1	\$ 95.1
Operating earnings before financial services as a percentage of sales		
As reported	20.1%	12.6%
As adjusted	20.1%	13.1%

Reconciliation of Non-GAAP Financial Measures

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions, except per share data - unaudited)</i>	2 nd Quarter	
	2021	2020
Operating earnings		
As reported	\$ 286.0	\$ 148.7
Restructuring charges	<u>-</u>	<u>4.0</u>
As adjusted	\$ 286.0	\$ 152.7
Operating earnings as a percentage of revenue		
As reported	24.5%	18.4%
As adjusted	24.5%	18.9%
Net earnings attributable to Snap-on Incorporated		
As reported	\$ 208.0	\$ 101.2
Restructuring charges, after tax	<u>-</u>	<u>3.3</u>
As adjusted	\$ 208.0	\$ 104.5
Diluted EPS		
As reported	\$ 3.76	\$ 1.85
Restructuring charges, after tax	<u>-</u>	<u>0.06</u>
As adjusted	\$ 3.76	\$ 1.91
Effective tax rate		
As reported	23.3 %	24.1 %
Restructuring charges	<u>-</u>	<u>(0.2)%</u>
As adjusted	23.3 %	23.9 %



SINCE 1920