

Quarterly Financial Review

Second Quarter 2019

Snap-on[®]



CAUTIONARY STATEMENT

- These slides should be read in conjunction with comments from the July 18, 2019 conference call. The financial statement information included herein is unaudited.
- Statements made during the July 18, 2019 conference call and/or information included in this presentation may contain statements, including earnings projections, that are forward-looking in nature and, accordingly, are subject to risks and uncertainties regarding Snap-on's expected results; actual results may differ materially from those described or contemplated in these forward-looking statements. Factors that may cause actual results to differ materially from those contained in the forward-looking statements are detailed in the corresponding press release and Form 8-K and in Snap-on's recent 1934 Act SEC filings, which are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the July 18, 2019 conference call and/or included in this presentation, except as required by law.
- This presentation includes certain non-GAAP measures of financial performance, which are not meant to be considered in isolation or as a substitute for their GAAP counterparts. Additional information regarding these non-GAAP measures is included in Snap-on's July 18, 2019 press release and Form 8-K, which can be found on the company's website in the investors section at www.snapon.com.

Who We Are

OUR MISSION

The most valued productivity solutions in the world

BELIEFS

We deeply believe in:

Non-negotiable Product and Workplace Safety
Uncompromising Quality
Passionate Customer Care
Fearless Innovation
Rapid Continuous Improvement

VALUES

Our behaviors define our success:

We demonstrate Integrity.
We tell the Truth.
We respect the Individual.
We promote Teamwork.
We Listen.

VISION

To be acknowledged as the:

Brands of Choice
Employer of Choice
Franchisor of Choice
Business Partner of Choice
Investment of Choice

Nick Pinchuk

Chairman &
Chief Executive Officer

Snap-on[®]



Aldo Pagliari

**Senior Vice President &
Chief Financial Officer**

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CONSOLIDATED RESULTS – 2ND QUARTER

(\$ in millions, except per share data - unaudited)	2019		2018		Change
	\$	%	\$	%	
Net sales	\$ 951.3		\$ 954.6		(0.3)%
➤ Organic sales	15.1				1.6 %
➤ Acquisitions	1.1				0.1 %
➤ Currency translation	(19.5)				(2.0)%
Gross profit	\$ 473.8	49.8 %	\$ 487.1	51.0 %	
Operating expenses	283.9	29.8 %	294.0	30.8 %	
Operating earnings before financial services – as reported	\$ 189.9	20.0 %	\$ 193.1	20.2 %	(20) bps
Financial services revenue	\$ 84.1		\$ 82.0		2.6 %
Financial services operating earnings	60.6		57.8		4.8 %
Operating earnings – as reported	\$ 250.5	24.2 %	\$ 250.9	24.2 %	- bps
Diluted EPS – as reported	\$ 3.22		\$ 3.12		3.2 %
Diluted EPS – as adjusted*	\$ 3.22		\$ 3.11		3.5 %

- Organic sales up 1.6%; excludes \$1.1 million of acquisition-related sales and \$19.5 million of unfavorable foreign currency translation
- Gross margin of 49.8% declined 120 basis points (bps) primarily due to increased sales in lower gross margin businesses, 20 bps of unfavorable foreign currency effects, and higher material and other costs, partially offset by benefits from Rapid Continuous Improvement (“RCI”) initiatives
- The operating expense margin of 29.8% improved 100 bps from 30.8% last year primarily due to benefits from organic sales volume leverage, including higher volumes in lower expense businesses, lower performance-based compensation costs and savings from RCI initiatives
- Operating earnings before financial services of \$189.9 million, including \$5.9 million of unfavorable foreign currency effects, decreased \$3.2 million from \$193.1 million last year; operating margin of 20.0% compared to 20.2% last year
- Diluted EPS of \$3.22 is up 3.2% from 2018 diluted EPS of \$3.12

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

COMMERCIAL & INDUSTRIAL – 2ND QUARTER

(\$ in millions - unaudited)	2019	2018	Change
Segment sales	\$ 335.0	\$ 337.8	(0.8)%
➤ Organic sales	6.2		1.9 %
➤ Acquisitions	1.1		0.3 %
➤ Currency translation	(10.1)		(3.0)%
Gross profit	\$ 129.2	\$ 133.0	
% of sales	38.6 %	39.4 %	
Operating expenses	\$ 80.3	\$ 84.0	
% of sales	24.0 %	24.9 %	
Operating earnings	\$ 48.9	\$ 49.0	
% of sales	14.6 %	14.5 %	10 bps

- Organic sales up \$6.2 million or 1.9%
 - Primarily due to increased sales in the specialty tools business, and gains in both the segment's European-based hand tools business and to customers in critical industries
 - Excludes \$1.1 million of acquisition-related sales and \$10.1 million of unfavorable currency translation
- Gross margin of 38.6% declined 80 bps from 2018 primarily due to increased sales in lower gross margin businesses and higher material and other costs, partially offset by savings from RCI initiatives
- The operating expense margin of 24.0% improved 90 bps from 24.9% last year primarily due to the benefits from organic sales volume leverage, including higher volumes in lower expense businesses, and savings from RCI initiatives
- Operating earnings of \$48.9 million, including \$0.9 million of unfavorable foreign currency effects, decreased \$0.1 million from last year; operating margin of 14.6% compared to 14.5% last year

SNAP-ON TOOLS – 2ND QUARTER

<i>(\$ in millions - unaudited)</i>	2019	2018	Change
Segment sales	\$ 405.8	\$ 411.9	(1.5)%
➤ Organic sales	(1.0)		(0.2)%
➤ Currency translation	(5.1)		(1.3)%
Gross profit	\$ 182.9	\$ 189.2	
% of sales	45.1 %	45.9 %	
Operating expenses	\$ 111.6	\$ 110.2	
% of sales	27.5 %	26.7 %	
Operating earnings	\$ 71.3	\$ 79.0	
% of sales	17.6 %	19.2 %	(160) bps

- Organic sales down \$1.0 million, or 0.2%, including a decrease in the segment’s international franchise operations, partially offset by a gain in the segment’s U.S. franchise operations
- Gross margin of 45.1%, including 60 bps of unfavorable foreign currency effects, decreased 80 bps from last year
- The operating expense margin of 27.5% increased 80 bps primarily due to higher field support investments and 10 bps of unfavorable foreign currency effects
- Operating earnings of \$71.3 million, including \$3.8 million of unfavorable foreign currency effects, decreased \$7.7 million and the operating margin of 17.6% compared to 19.2% last year

REPAIR SYSTEMS & INFORMATION – 2ND QUARTER

<i>(\$ in millions - unaudited)</i>	2019	2018	Change
Segment sales	\$ 348.9	\$ 343.1	1.7 %
➤ Organic sales	11.7		3.5 %
➤ Currency translation	(5.9)		(1.8)%
Gross profit	\$ 161.7	\$ 164.9	
% of sales	46.3 %	48.1 %	
Operating expenses	\$ 73.1	\$ 76.2	
% of sales	20.9 %	22.2 %	
Operating earnings	\$ 88.6	\$ 88.7	
% of sales	25.4 %	25.9 %	(50) bps

- Organic sales up \$11.7 million
 - Increase includes a gain in sales to OEM dealerships
 - Excludes \$5.9 million of unfavorable foreign currency translation
- Gross margin of 46.3% declined 180 bps from 48.1% last year primarily due to increased sales in lower gross margin businesses and higher material and other costs, partially offset by savings from the company's RCI initiatives
- The operating expense margin of 20.9% improved 130 bps from 22.2% last year primarily due to the benefits from sales volume leverage, including higher volumes in lower expense businesses, and savings from RCI initiatives
- Operating earnings of \$88.6 million, including \$1.2 million of unfavorable foreign currency effects, decreased \$0.1 million; the operating margin of 25.4% compared to 25.9% last year

FINANCIAL SERVICES – 2ND QUARTER

<i>(\$ in millions - unaudited)</i>	2019	2018	Change
Segment revenue	\$ 84.1	\$ 82.0	2.6 %
Operating earnings	\$ 60.6	\$ 57.8	4.8 %
Originations	\$ 263.4	\$ 276.1	(4.6)%

- Originations decreased \$12.7 million or 4.6%
- Average yield on finance receivables of 17.6% compared to 17.7% in 2018
- Average yield on contract receivables of 9.1% in both periods

FINANCIAL SERVICES PORTFOLIO DATA

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,487.3	\$ 1,831.0	\$ 191.6	\$ 271.3
Portfolio net losses (TTM)	\$ 47.4	\$ 49.3	\$ 3.0	\$ 3.7
60+ Delinquency:				
As of 6/30/19	1.4 %	1.2 %	0.7 %	0.7 %
As of 3/31/19	1.5 %	1.3 %	0.7 %	0.8 %
As of 12/31/18	1.8 %	1.5 %	0.8 %	0.8 %
As of 9/30/18	1.7 %	1.4 %	0.7 %	0.8 %
As of 6/30/18	1.4 %	1.2 %	0.7 %	0.7 %

- Gross finance portfolio of \$2,102.3 million as of June 30, 2019
 - YTD portfolio growth of \$19.3 million
 - Q2 portfolio growth of \$15.2 million

- TTM – Trailing twelve months

CASH FLOWS

(\$ in millions - unaudited)	2nd Quarter		June YTD	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 145.5	\$ 186.9	\$ 346.8	\$ 418.8
➤ Net earnings	184.9	182.7	367.0	349.5
➤ Depreciation and amortization	23.0	24.0	45.6	48.0
➤ Changes in deferred income taxes	7.0	(4.5)	12.4	(4.1)
➤ Loss on early extinguishment of debt	-	-	-	7.8
➤ Changes in working investment	(15.7)	(9.1)	(32.3)	(8.2)
➤ Changes in accruals and other liabilities	(66.0)	(31.1)	(69.7)	(25.7)
➤ Changes in all other operating activities	12.3	24.9	23.8	51.5
Net increase in finance receivables	\$ (29.0)	\$ (40.3)	\$ (47.6)	\$ (56.8)
Capital expenditures	\$ (28.0)	\$ (20.6)	\$ (48.2)	\$ (38.6)
Free cash flow	\$ 88.5	\$ 126.0	\$ 251.0	\$ 323.4
Free cash flow from Operations	\$ 80.2	\$ 139.5	\$ 212.5	\$ 289.1
Free cash flow from Financial Services	\$ 8.3	\$ (13.5)	\$ 38.5	\$ 34.3
Increase in cash	\$ 7.6	\$ 14.8	\$ 23.1	\$ 20.3

- 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>	June 29, 2019	December 29, 2018
Trade & Other Accounts Receivable - net	\$ 684.1	\$ 692.6
Days Sales Outstanding	66	67
Finance Receivables - net	\$ 1,618.0	\$ 1,592.9
Contract Receivables - net	\$ 439.0	\$ 443.2
Inventory - net	\$ 725.8	\$ 673.8
Inventory turns - TTM	2.7	2.9
Cash	\$ 164.0	\$ 140.9
Total debt	\$ 1,116.1	\$ 1,132.3
Net debt	\$ 952.1	\$ 991.4
Net debt to capital ratio	22.5 %	24.2 %

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	2nd Quarter		June YTD	
	2019	2018	2019	2018
Benefit related to the settlement of a litigation matter (“legal settlement”)				
Pre-tax legal settlement	\$ -	\$ -	\$ 11.6	\$ -
Income tax expense	<u>-</u>	<u>-</u>	<u>(2.9)</u>	<u>-</u>
Legal settlement, after tax	\$ -	\$ -	\$ 8.7	\$ -
Weighted-average shares outstanding – diluted	56.0	57.3	56.2	57.6
Diluted EPS – legal settlement	\$ -	\$ -	\$ 0.15	\$ -
Adjustments related to implementation of tax legislation (“tax benefit/charge”)				
Tax benefit/(charge)	\$ -	\$ 0.5	\$ -	\$ (2.1)
Weighted-average shares outstanding – diluted	56.0	57.3	56.2	57.6
Diluted EPS – tax benefit/(charge)	\$ -	\$ 0.01	\$ -	\$ (0.04)

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	2nd Quarter		June YTD	
	2019	2018	2019	2018
Debt related items (“net debt items”)				
Gain on settlement of treasury lock (A)				
Gain on settlement of treasury lock	\$ -	\$ -	\$ -	\$ 13.3
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3.3)</u>
Gain on settlement of treasury lock, after tax	\$ -	\$ -	\$ -	\$ 10.0
Weighted-average shares outstanding – diluted	56.0	57.3	56.2	57.6
Diluted EPS – gain on settlement of treasury lock	\$ -	\$ -	\$ -	\$ 0.17
Loss on early extinguishment of debt (B)				
Loss on early extinguishment of debt	\$ -	\$ -	\$ -	\$ (7.8)
Income tax benefit	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.9</u>
Loss on early extinguishment of debt, after tax	\$ -	\$ -	\$ -	\$ (5.9)
Weighted-average shares outstanding – diluted	56.0	57.3	56.2	57.6
Diluted EPS – loss on early extinguishment of debt	\$ -	\$ -	\$ -	\$ (0.10)
Net debt items (A + B)				
Net debt items	\$ -	\$ -	\$ -	\$ 5.5
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1.4)</u>
Net debt items, after tax	\$ -	\$ -	\$ -	\$ 4.1
Weighted-average shares outstanding – diluted	56.0	57.3	56.2	57.6
Diluted EPS – net debt items	\$ -	\$ -	\$ -	\$ 0.07

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	2nd Quarter		June YTD	
	2019	2018	2019	2018
Operating earnings before financial services				
As reported	\$ 189.9	\$ 193.1	\$ 377.3	\$ 370.8
Legal settlement	_____ -	_____ -	_____ (11.6)	_____ -
As adjusted	\$ 189.9	\$ 193.1	\$ 365.7	\$ 370.8
Operating earnings before financial services as a percentage of sales				
As reported	20.0 %	20.2 %	20.1 %	19.6 %
As adjusted	20.0 %	20.2 %	19.5 %	19.6 %
Operating earnings				
As reported	\$ 250.5	\$ 250.9	\$ 500.0	\$ 485.5
Legal settlement	_____ -	_____ -	_____ (11.6)	_____ -
As adjusted	\$ 250.5	\$ 250.9	\$ 488.4	\$ 485.5
Operating earnings as a percentage of revenue				
As reported	24.2 %	24.2 %	24.5 %	23.6 %
As adjusted	24.2 %	24.2 %	23.9 %	23.6 %

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	2nd Quarter		June YTD	
	2019	2018	2019	2018
Net earnings attributable to Snap-on Incorporated				
As reported	\$ 180.4	\$ 178.7	\$ 358.3	\$ 341.7
Legal settlement, after tax	-	-	(8.7)	-
Net debt items, after tax	-	-	-	(4.1)
Tax (benefit)/charge	-	(0.5)	-	2.1
As adjusted	\$ 180.4	\$ 178.2	\$ 349.6	\$ 339.7
Diluted EPS				
As reported	\$ 3.22	\$ 3.12	\$ 6.38	\$ 5.93
Legal settlement, after tax	-	-	(0.15)	-
Net debt items, after tax	-	-	-	(0.07)
Tax (benefit)/charge	-	(0.01)	-	0.04
As adjusted	\$ 3.22	\$ 3.11	\$ 6.23	\$ 5.90
Effective tax rate				
As reported	23.6 %	23.8 %	23.9 %	25.0 %
Legal settlement	-	-	-	-
Tax benefit/(charge)	-	0.2 %	-	(0.5)%
As adjusted	23.6 %	24.0 %	23.9 %	24.5 %