

Quarterly Financial Review

Third Quarter 2021



Cautionary Statement

- These slides should be read in conjunction with comments from the October 21, 2021 conference call. The financial statement information included herein is unaudited.
- Statements made during the October 21, 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 October 21, 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 October 21, 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)	Q3 2021		Q3 2020		Change
	\$	%	\$	%	
Net sales	\$ 1,037.7		\$ 941.6		10.2 %
➤ Organic sales	67.0				7.0 %
➤ Acquisitions	19.5				2.1 %
➤ Currency translation	9.6				1.1 %
Gross profit	\$ 520.7	50.2 %	\$ 469.5	49.9 %	
Operating expenses	319.4	30.8 %	283.8	30.2 %	
Operating earnings before financial services	\$ 201.3	19.4 %	\$ 185.7	19.7 %	8.4 %
Financial services revenue	\$ 87.3		\$ 85.8		1.7 %
Financial services operating earnings	70.6		65.6		7.6 %
Operating earnings	\$ 271.9	24.2 %	\$ 251.3	24.5 %	8.2 %
Diluted EPS – as reported	\$ 3.57		\$ 3.28		8.8 %

- Net sales in the period increased 10.2% from \$941.6 million in 2020, reflecting a 7.0% organic sales gain, \$19.5 million of acquisition-related sales, and \$9.6 million of favorable foreign currency translation
- As compared to the third quarter of 2019, net sales in the period increased 15.1% from \$901.8 million, reflecting an 11.1% organic sales gain, \$21.0 million of acquisition-related sales, and \$13.6 million of favorable foreign currency translation
- Gross margin of 50.2% improved 30 basis points (bps) from 49.9% last year primarily due to higher sales volumes, 60 bps of favorable foreign currency effects, and benefits from the company's Rapid Continuous Improvement ("RCI") initiatives, which offset higher material and other costs
- Operating expenses as a percentage of sales of 30.8% increased 60 bps from 30.2% last year due to 60 bps of unfavorable acquisition effects; benefits from the higher sales volumes were offset by increased brand-building, travel and other costs
- As a percentage of net sales, operating earnings before financial services of 19.4% compared to 19.7% last year

Commercial & Industrial

(\$ in millions - unaudited)	Q3 2021	Q3 2020	Change
Segment sales	\$ 351.4	\$ 308.4	13.9 %
➤ Organic sales	32.9		10.6 %
➤ Acquisitions	7.5		2.4 %
➤ Currency translation	2.6		0.9 %
Gross profit	\$ 134.1	\$ 114.9	
% of sales	38.2 %	37.3 %	
Operating expenses	\$ 80.5	\$ 71.8	
% of sales	22.9 %	23.3 %	
Operating earnings	\$ 53.6	\$ 43.1	
% of sales	15.3 %	14.0 %	130 bps

- Organic sales up \$32.9 million or 10.6%
 - Reflecting higher activity in all of the segment's operations, including high single-digit increases in sales to customers in critical industries
- As compared to the third quarter of 2019, net sales in the period increased 4.8% from \$335.3 million, reflecting a \$3.0 million organic sales gain, \$7.5 million of acquisition-related sales, and \$5.6 million of favorable foreign currency translation
- Gross margin of 38.2% improved 90 bps from 2020 primarily due to increased sales volumes and benefits from RCI initiatives, partially offset by higher material and other costs
- Operating expenses as a percentage of sales of 22.9% improved 40 bps from last year reflecting the higher sales, partially offset by increased travel and other costs
- Operating earnings of \$53.6 million, including \$0.1 million of unfavorable foreign currency effects, increased \$10.5 million, or 24.4%, compared to \$43.1 million in 2020; the operating margin of 15.3% compared to 14.0% last year

Snap-on Tools

<i>(\$ in millions - unaudited)</i>	Q3 2021	Q3 2020	Change
Segment sales	\$ 471.4	\$ 449.8	4.8 %
➤ Organic sales	16.7		3.7 %
➤ Currency translation	4.9		1.1 %
Gross profit	\$ 215.9	\$ 204.5	
% of sales	45.8 %	45.5 %	
Operating expenses	\$ 117.7	\$ 117.4	
% of sales	25.0 %	26.1 %	
Operating earnings	\$ 98.2	\$ 87.1	
% of sales	20.8 %	19.4 %	140 bps

- Organic sales up \$16.7 million, or 3.7%, reflecting a mid single-digit gain in the segment's U.S. franchise business and a low single-digit increase in the segment's international operations
- As compared to the third quarter of 2019, net sales in the period increased 22.4% from \$385.2 million, reflecting a 20.6% organic sales gain and \$5.8 million of favorable foreign currency translation
- Gross margin of 45.8% improved 30 bps from 45.5% last year primarily due to increased sales volumes and 130 bps of favorable foreign currency effects, which offset higher material and other costs
- Operating expenses as a percentage of sales of 25.0% improved 110 bps from last year primarily due to higher sales, partially offset by increased travel and other costs
- Operating earnings of \$98.2 million, including \$7.5 million of favorable foreign currency effects, increased \$11.1 million, or 12.7%, from 2020; the operating margin of 20.8% compared to 19.4% last year

Repair Systems & Information

(\$ in millions - unaudited)	Q3 2021	Q3 2020	Change
Segment sales	\$ 364.4	\$ 317.5	14.8 %
➤ Organic sales	31.7		9.9 %
➤ Acquisitions	12.0		3.7 %
➤ Currency translation	3.2		1.2 %
Gross profit	\$ 170.7	\$ 150.1	
% of sales	46.8 %	47.3 %	
Operating expenses	\$ 87.4	\$ 70.0	
% of sales	23.9 %	22.1 %	
Operating earnings	\$ 83.3	\$ 80.1	
% of sales	22.9 %	25.2 %	(230) bps

- Organic sales up \$31.7 million, or 9.9%
 - Reflects double-digit increases in sales of undercar equipment and in sales of diagnostic and repair information products to independent repair shop owners and managers, while sales to OEM dealerships were essentially flat
- As compared to the third quarter of 2019, net sales in the period increased 12.9% from \$322.7 million, reflecting a 7.4% organic sales gain, \$13.5 million of acquisition-related sales, and \$4.0 million of favorable foreign currency translation
- Gross margin of 46.8% declined 50 bps from 47.3% last year primarily due to the impact of higher sales in lower gross margin businesses, increased material and other costs, and 10 bps of unfavorable foreign currency effects, partially offset by savings from RCI initiatives and 60 bps of benefits from acquisitions
- Operating expenses as a percentage of sales of 23.9% increased 180 bps from last year primarily due 170 bps of unfavorable acquisition effects in 2021
- Operating earnings of \$83.3 million, including \$0.7 million of favorable foreign currency effects, increased \$3.2 million, or 4.0%, from \$80.1 million in 2020; the operating margin of 22.9% compared to 25.2% last year

Financial Services

<i>(\$ in millions - unaudited)</i>	Q3 2021	Q3 2020	Change
Segment revenue	\$ 87.3	\$ 85.8	1.7 %
Operating earnings	\$ 70.6	\$ 65.6	7.6 %
Originations	\$ 269.3	\$ 252.8	6.5 %

- Originations increased \$16.5 million or 6.5%
- Average yield on finance receivables of 17.8% in both years
- Average yield on contract receivables of 8.5% compared to 8.4% last year

Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,521.3	\$ 1,926.7	\$ 203.5	\$ 287.4
Portfolio net losses (TTM)	\$ 40.2	\$ 41.8	\$ 2.5	\$ 2.8
60+ Delinquency:				
As of 9/30/21	1.4 %	1.2 %	0.6 %	0.6 %
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 %

- Gross finance portfolio of \$2,214.1 million as of September 30, 2021
 - Compares to \$2,219.2 million as of 2020 year end
 - Q3 portfolio growth of \$7.5 million

- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	3 rd Quarter		September YTD	
	2021	2020	2021	2020
Net cash provided by operating activities	\$ 186.4	\$ 224.0	\$ 743.9	\$ 691.0
➤ Net earnings	201.5	184.7	612.3	432.6
➤ Depreciation and amortization	24.9	23.9	75.1	71.5
➤ Changes in deferred income taxes	(0.6)	(6.6)	3.4	(8.5)
➤ Changes in working investment	(69.1)	(7.2)	(29.7)	65.2
➤ Changes in accruals and other liabilities	22.3	5.9	34.0	85.2
➤ Changes in all other operating activities	7.4	23.3	48.8	45.0
Net increase in finance receivables	\$ (7.6)	\$ (11.7)	\$ (14.2)	\$ (68.8)
Capital expenditures	\$ (16.2)	\$ (10.1)	\$ (53.8)	\$ (39.1)
Free cash flow	\$ 162.6	\$ 202.2	\$ 675.9	\$ 583.1
Free cash flow from Operations	\$ 136.1	\$ 197.4	\$ 562.5	\$ 534.2
Free cash flow from Financial Services	\$ 26.5	\$ 4.8	\$ 113.4	\$ 48.9
Increase (decrease) in cash	\$ (230.4)	\$ 101.3	\$ (187.9)	\$ 603.0

- 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>	October 2, 2021	January 2, 2021
Trade & Other Accounts Receivable - net	\$ 653.2	\$ 640.7
Days Sales Outstanding	56	64
Finance Receivables - net	\$ 1,655.2	\$ 1,666.5
Contract Receivables - net	\$ 497.9	\$ 487.2
Inventory - net	\$ 789.6	\$ 746.5
Inventory turns - TTM	2.7	2.4
Cash	\$ 735.5	\$ 923.4
Total debt	\$ 1,200.1	\$ 1,450.6
Net debt	\$ 464.6	\$ 527.2
Net debt to capital ratio	10.3 %	12.1 %



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