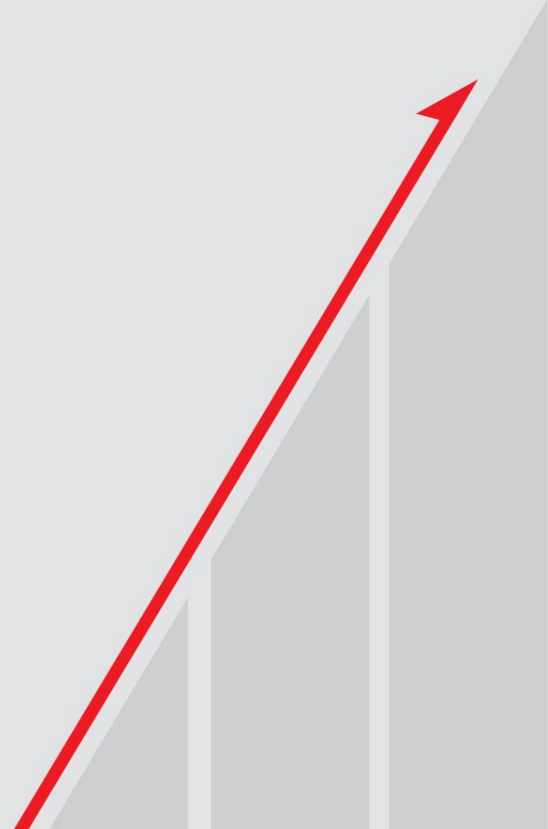




*Snap-on*

# Quarterly Financial Review

**Second Quarter 2023**



## 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

# Cautionary Statement

- These slides should be read in conjunction with comments from the July 20, 2023 conference call. The financial statement information included herein is unaudited.
- Statements made during the July 20, 2023 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 20, 2023 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 20, 2023 press release and Form 8-K, which can be found on the company's website in the investors section at [www.snapon.com](http://www.snapon.com).



# **Nick Pinchuk**

## **Chairman and Chief Executive Officer**



# **Aldo Pagliari**

## **Senior Vice President and Chief Financial Officer**

# Consolidated Results

(\$ in millions, except per share data - unaudited)	Q2 2023		Q2 2022		Change
	\$	%	\$	%	
Net sales	\$ 1,191.3		\$ 1,136.6		4.8 %
➤ Organic sales	63.0				5.6 %
➤ Currency translation	(8.3)				(0.8)%
Gross profit	\$ 603.7	50.7 %	\$ 553.5	48.7 %	
Operating expenses	326.7	27.4 %	306.9	27.0 %	
Operating earnings before financial services	\$ 277.0	23.3 %	\$ 246.6	21.7 %	12.3 %
Financial services revenue	\$ 93.4		\$ 86.4		8.1 %
Financial services operating earnings	66.9		65.3		2.5 %
Operating earnings	\$ 343.9	26.8 %	\$ 311.9	25.5 %	10.3 %
Diluted EPS – as reported	\$ 4.89		\$ 4.27		14.5 %

- Net sales of \$1,191.3 million in the period represented an increase of \$54.7 million, or 4.8%, from 2022 levels, reflecting a 5.6% organic sales gain, and \$8.3 million of unfavorable foreign currency translation
- Gross margin improved 200 basis points (bps) to 50.7% from 48.7% last year primarily due to increased sales volumes and pricing actions, lower material and other costs, and benefits from the company's Rapid Continuous Improvement ("RCI") initiatives, partially offset by 30 bps of unfavorable foreign currency
- Operating expenses as a percentage of sales increased 40 bps to 27.4% from 27.0% last year primarily due to increased personnel and other costs
- As a percentage of net sales, operating earnings before financial services improved 160 bps to 23.3% from 21.7% last year

# Commercial & Industrial

<i>(\$ in millions - unaudited)</i>	<b>Q2 2023</b>	<b>Q2 2022</b>	<b>Change</b>
Segment sales	\$ 364.2	\$ 359.1	1.4 %
➤ Organic sales	10.7		3.0 %
➤ Currency translation	(5.6)		(1.6)%
Gross profit	\$ 143.9	\$ 133.8	
% of sales	39.5 %	37.3 %	
Operating expenses	\$ 85.8	\$ 82.1	
% of sales	23.5 %	22.9 %	
Operating earnings	\$ 58.1	\$ 51.7	
% of sales	16.0 %	14.4 %	160 bps

- Organic sales up \$10.7 million, or 3.0%, primarily reflecting a double-digit gain in sales to customers in critical industries partially offset by smaller power tool volumes
- Gross margin improved 220 bps to 39.5% from 2022 primarily due to increased sales volumes in the higher-gross-margin critical industry sector, pricing actions, lower material and other costs, and benefits from RCI initiatives, partially offset by 40 bps of unfavorable foreign currency effects
- Operating expenses as a percentage of sales increased 60 bps to 23.5% from 22.9% last year primarily due to increased sales in higher-expense businesses
- Operating earnings of \$58.1 million, including \$2.7 million of unfavorable foreign currency effects, reflected an increase of \$6.4 million, or 12.4%, compared to \$51.7 million in 2022; the operating margin improved 160 bps to 16.0% from last year

# Snap-on Tools

<i>(\$ in millions - unaudited)</i>	<b>Q2 2023</b>	<b>Q2 2022</b>	<b>Change</b>
Segment sales	\$ 523.1	\$ 520.6	0.5 %
➤ Organic sales	5.7		1.1 %
➤ Currency translation	(3.2)		(0.6)%
Gross profit	\$ 256.5	\$ 239.5	
% of sales	49.0 %	46.0 %	
Operating expenses	\$ 118.8	\$ 115.1	
% of sales	22.7 %	22.1 %	
Operating earnings	\$ 137.7	\$ 124.4	
% of sales	26.3 %	23.9 %	240 bps

- Organic sales up \$5.7 million, or 1.1%, reflecting a mid single-digit gain in the segment's international operations and slightly higher sales in the U.S. franchise business
- Gross margin improved 300 bps to 49.0% from 46.0% last year primarily due to increased sales volumes and pricing actions, lower material and other costs, and benefits from the segment's RCI initiatives, partially offset by 50 bps of unfavorable foreign currency effects
- Operating expenses as a percentage of sales increased 60 bps to 22.7% from 22.1% last year primarily due to increased personnel and other costs
- Operating earnings of \$137.7 million, including \$3.6 million of unfavorable foreign currency effects, reflected an increase of \$13.3 million, or 10.7%, from 2022; the operating margin improved 240 bps to 26.3% from last year



# Repair Systems & Information

(\$ in millions - unaudited)	Q2 2023	Q2 2022	Change
Segment sales	\$ 452.0	\$ 416.8	8.4 %
➤ Organic sales	35.5		8.5 %
➤ Currency translation	(0.3)		(0.1)%
Gross profit	\$ 203.3	\$ 180.2	
% of sales	45.0 %	43.2 %	
Operating expenses	\$ 92.9	\$ 84.5	
% of sales	20.6 %	20.2 %	
Operating earnings	\$ 110.4	\$ 95.7	
% of sales	24.4 %	23.0 %	140 bps

- Organic sales up \$35.5 million, or 8.5%, reflecting a double-digit gain in sales of undercar equipment, a high single-digit increase in activity with OEM dealerships, and a mid single-digit gain in sales of diagnostic and repair information products to independent repair shop owners and managers
- Gross margin improved 180 bps to 45.0% from last year primarily due to increased sales volumes and pricing actions, lower material and other costs, and savings from RCI initiatives
- Operating expenses as a percentage of sales increased 40 bps to 20.6% from last year primarily due increased personnel and other costs
- Operating earnings of \$110.4 million, including \$0.2 million of favorable foreign currency effects, reflected an increase of \$14.7 million, or 15.4%, from \$95.7 million in 2022; the operating margin improved 140 bps to 24.4% compared to 23.0% last year

# Financial Services

<i>(\$ in millions - unaudited)</i>	<b>Q2 2023</b>	<b>Q2 2022</b>	<b>Change</b>
Segment revenue	\$ 93.4	\$ 86.4	8.1 %
Operating earnings	\$ 66.9	\$ 65.3	2.5 %
Originations	\$ 326.3	\$ 307.6	6.1 %

- Originations increased \$18.7 million or 6.1%
- Average yields on finance receivables were 17.6% and 17.5% in 2023 and 2022, respectively
- Average yields on contract receivables were 8.6% and 8.5% in 2023 and 2022, respectively

# Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,679.7	\$ 2,085.9	\$ 212.8	\$ 295.5
Portfolio net losses (TTM)	\$ 43.1	\$ 44.3	\$ 3.3	\$ 3.7
60+ Delinquency:				
As of 6/30/23	1.3 %	1.1 %	0.8 %	0.9 %
As of 3/31/23	1.5 %	1.2 %	0.9 %	1.0 %
As of 12/31/22	1.6 %	1.3 %	0.8 %	1.1 %
As of 9/30/22	1.5 %	1.3 %	0.8 %	1.0 %
As of 6/30/22	1.4 %	1.1 %	0.8 %	0.9 %

- Gross finance portfolio of \$2,381.4 million as of Q2 2023
  - Q2 portfolio growth of \$65.3 million
  - YTD portfolio growth of \$103.2 million
  
- TTM – Trailing twelve months

# Cash Flows

(\$ in millions - unaudited)	2 <sup>nd</sup> Quarter		June YTD	
	2023	2022	2023	2022
<b>Net cash provided by operating activities</b>	<b>\$ 270.3</b>	<b>\$ 140.8</b>	<b>\$ 571.9</b>	<b>\$ 334.7</b>
➤ Net earnings	269.9	237.2	524.2	459.9
➤ Depreciation and amortization	24.8	25.4	49.7	51.1
➤ Changes in deferred income taxes	(9.0)	(9.4)	(9.2)	(7.1)
➤ Changes in working investment	(15.8)	(64.3)	(52.4)	(155.0)
➤ Changes in accruals and other liabilities	(36.6)	(43.8)	(8.5)	(37.9)
➤ Changes in all other operating activities	37.0	(4.3)	68.1	23.7
Net increase in finance receivables	\$ (68.6)	\$ (53.5)	\$ (118.2)	\$ (43.4)
Capital expenditures	\$ (25.8)	\$ (21.3)	\$ (48.8)	\$ (41.5)
Free cash flow	\$ 175.9	\$ 66.0	\$ 404.9	\$ 249.8
<b>Free cash flow from Operations</b>	<b>\$ 206.9</b>	<b>\$ 75.4</b>	<b>\$ 419.8</b>	<b>\$ 183.0</b>
<b>Free cash flow from Financial Services</b>	<b>\$ (31.0)</b>	<b>\$ (9.4)</b>	<b>\$ (14.9)</b>	<b>\$ 66.8</b>
Increase (decrease) in cash	\$ 37.5	\$ (48.2)	\$ 114.1	\$ 32.9

- 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>	<b>July 1, 2023</b>	<b>December 31, 2022</b>
Trade & Other Accounts Receivable - net Days Sales Outstanding	\$ 786.8 61	\$ 761.7 61
Finance Receivables - net Contract Receivables - net	\$ 1,827.4 \$ 497.9	\$ 1,733.0 \$ 493.7
Inventories - net Inventory turns - TTM	\$ 1,046.1 2.4	\$ 1,033.1 2.5
Cash	\$ 871.3	\$ 757.2
Total debt	\$ 1,202.0	\$ 1,201.0
Net debt	\$ 330.7	\$ 443.8
Net debt to capital ratio	6.5 %	9.0 %



**Snap-on**<sup>®</sup>

**MAKERS**  
**+**  
**FIXERS**<sup>™</sup>