



# Robert W. Baird Industrial Conference

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**November 2009**

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# UNIQUE

FOR REAL PROFESSIONALS DOING CRITICAL TASKS

# SOLUTIONS

**PRIDE**

We create distinction

**PRODUCTIVITY**

We make work easier

**PROFESSIONALISM**

We serve the serious

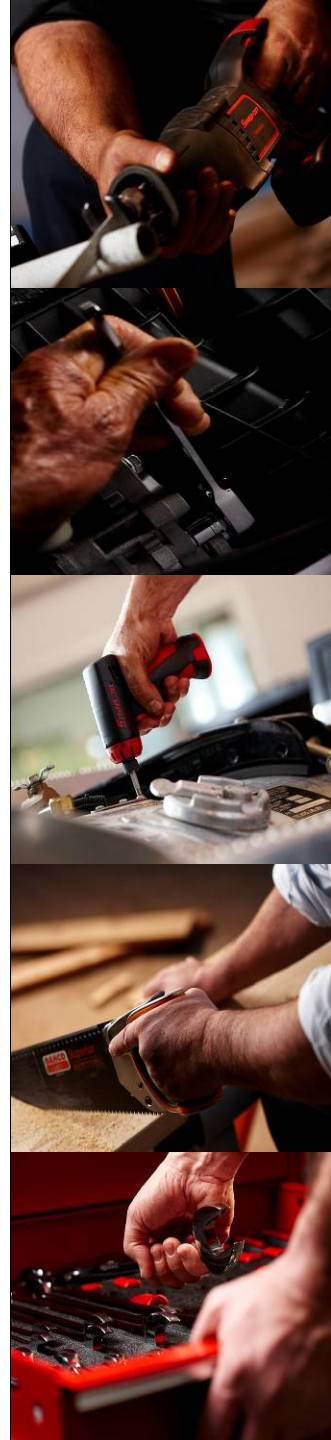
# Snap-on – Growing On An Improved Foundation

- Broad Products, Customers, and Physicals
- Substantial Runway for Growth
  - » Strong tailwinds in vehicle repair segments
  - » Unique strengths and opportunities in vehicle repair
  - » Newly targeted runway in critical industrial segments
  - » Developing capabilities in emerging markets
- Further opportunity for improvement in Snap-on Value Creation Process
- Balancing investments and costs while navigating recession; results encouraging

# Broad, Deep And Specialized Portfolio

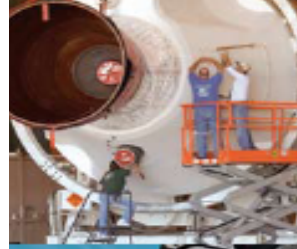
## PRODUCTS \* SERVICES \* CAPABILITIES

- Hand Tools
- Tool Storage
- Tool Control Systems
- Diagnostic Hardware & Software
- Repair Information Software
- Automotive & Industrial Power Tools
- Business Management Software
- Business Management Services
- Electronic Parts Catalogs
- Undercar Equipment
- Facilitation Services
- Customer Financing



# Diverse Base Of Professional Customers And Critical Industries

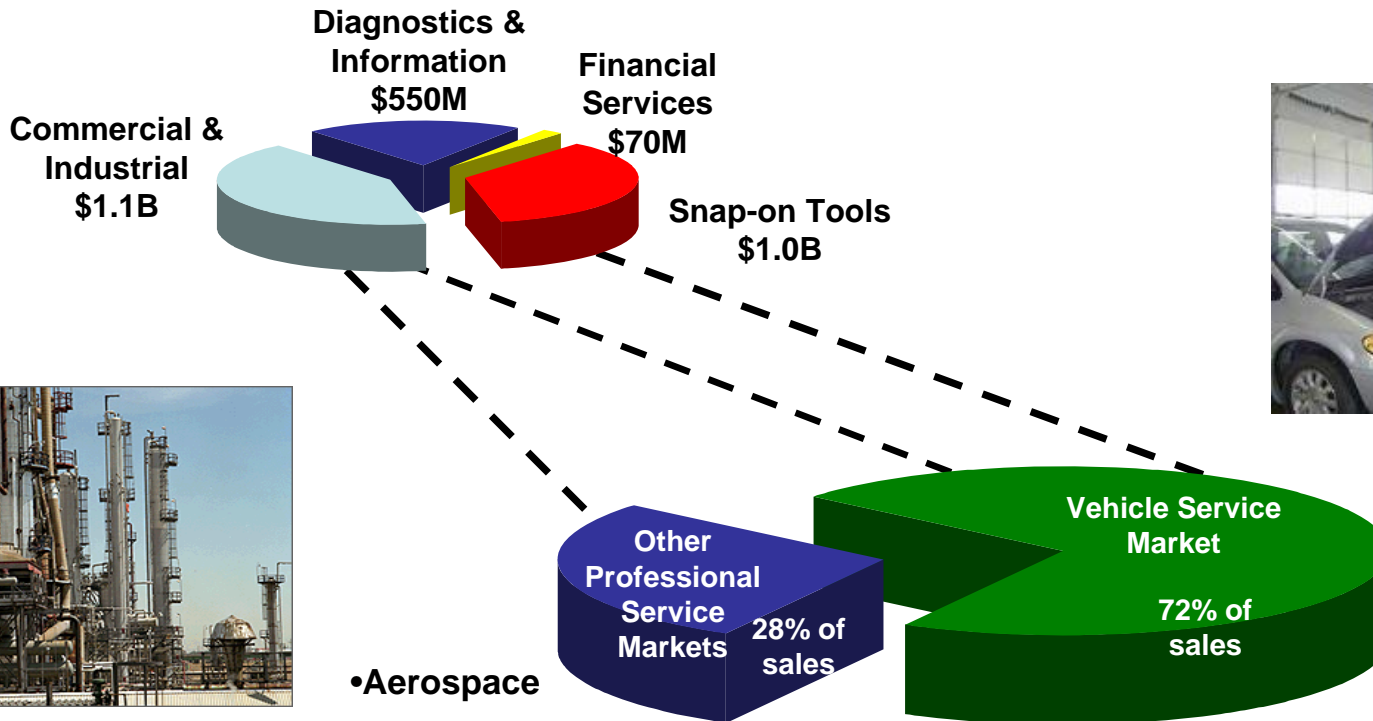
- Auto Repair
- Fleet Maintenance
- OEM Dealerships
- Vocational Schools
- Manufacturing
- Aviation
- Aerospace
- Heavy Equipment
- Mining
- Power Generation
- Natural Resources
- Military & Government
- Agriculture



# Snap-on Global Scale and Reach

- 
- **Sales in 130 countries**
    - » 4,800 franchisees...3,400 in the U.S.
    - » 26 manufacturing locations...9 in U.S.
    - » 21 distribution centers globally
    - » 3,000 direct sales people
    - » 27,000 distributors
  - **40% of sales are outside the U.S.**
  - **About half of our 10,800 associates are outside the U.S.**

# Vehicle Service Market: 72% Of Sales

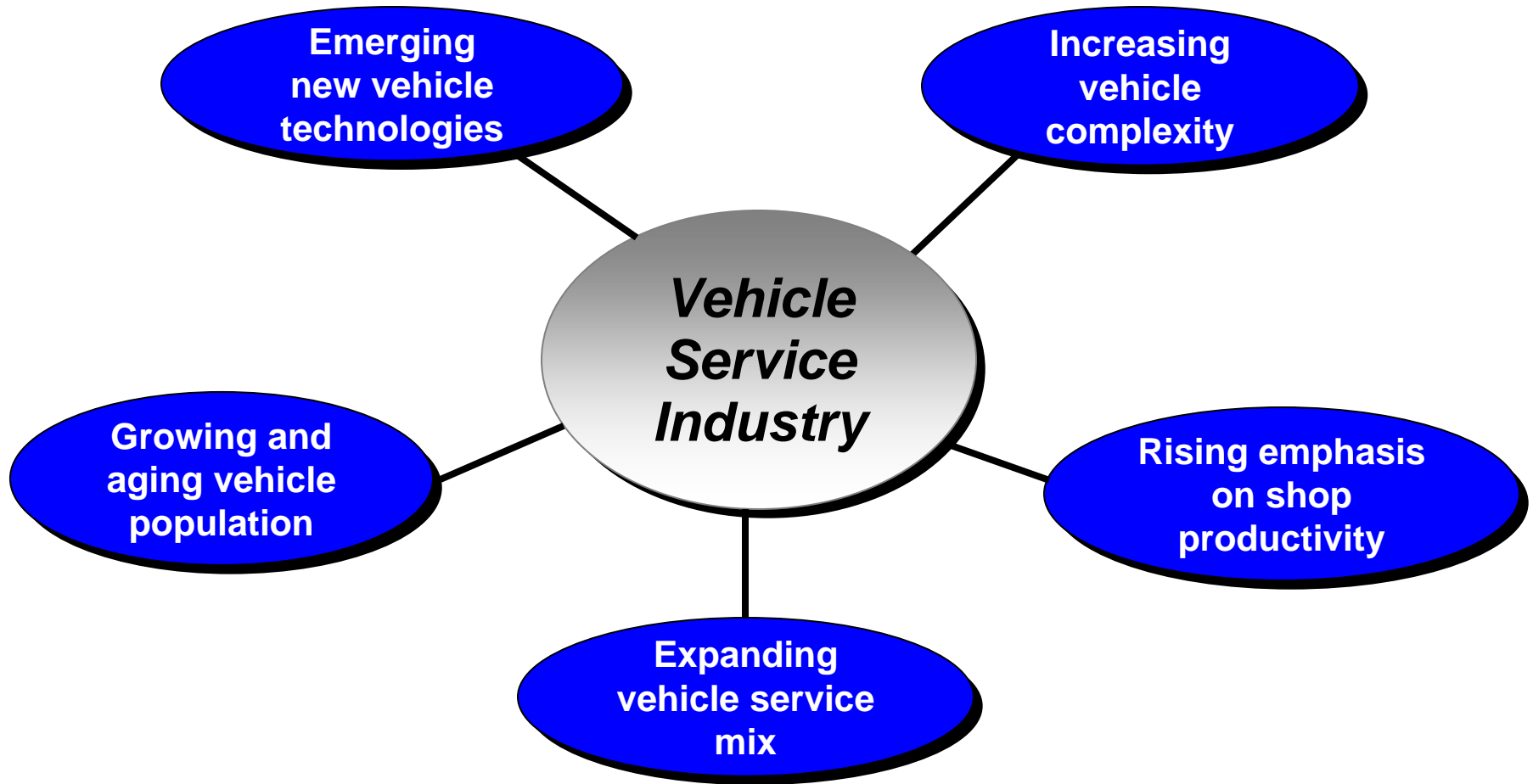


- Aerospace
- Energy / Natural Resources
- General Industrial
- Government
- Construction
- Electrical
- Agriculture

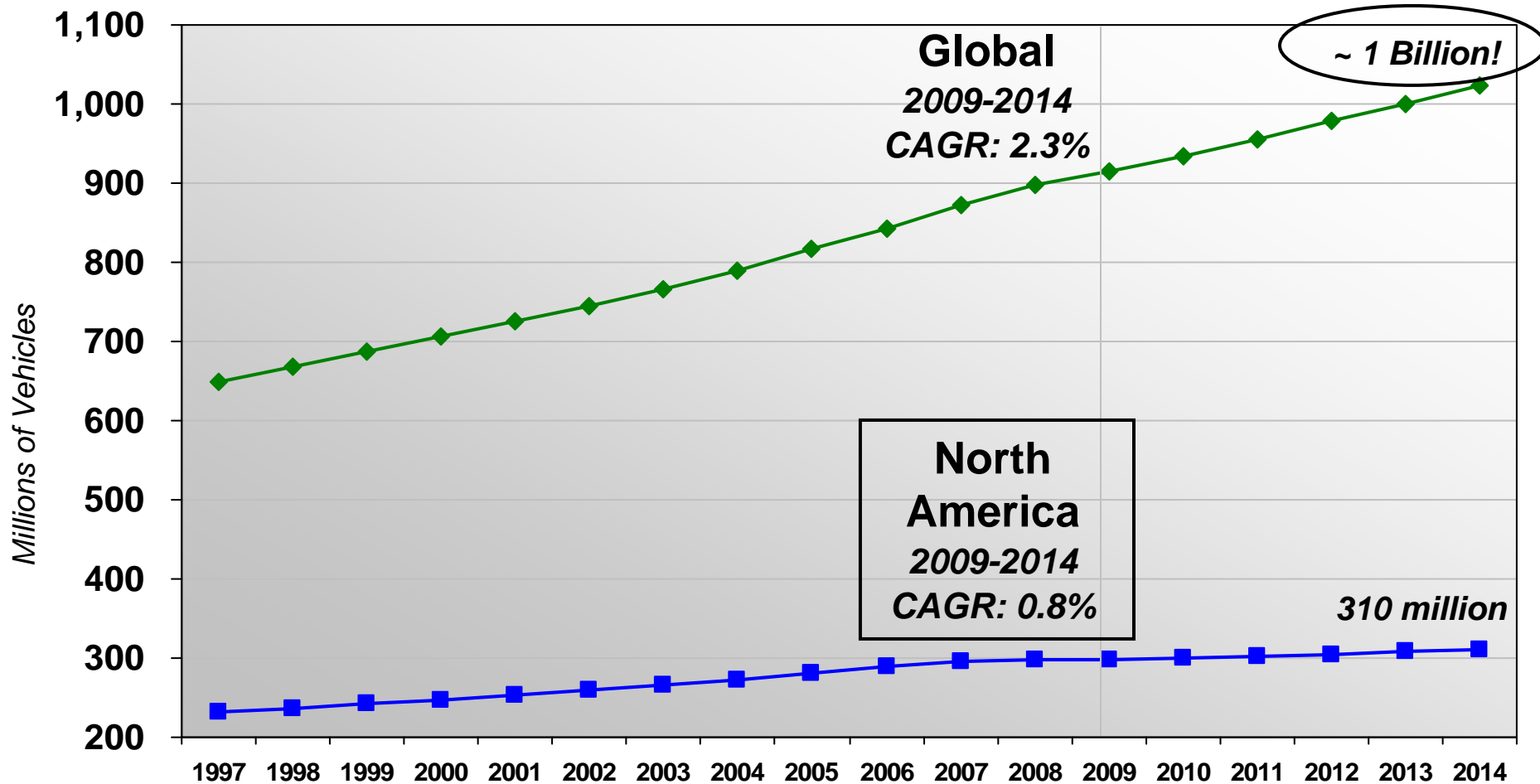
- Technicians
- Shop owners
- Dealerships
- OEMs
- Service Chains
- Students



# Forces Driving Global Growth Opportunities In Vehicle Repair



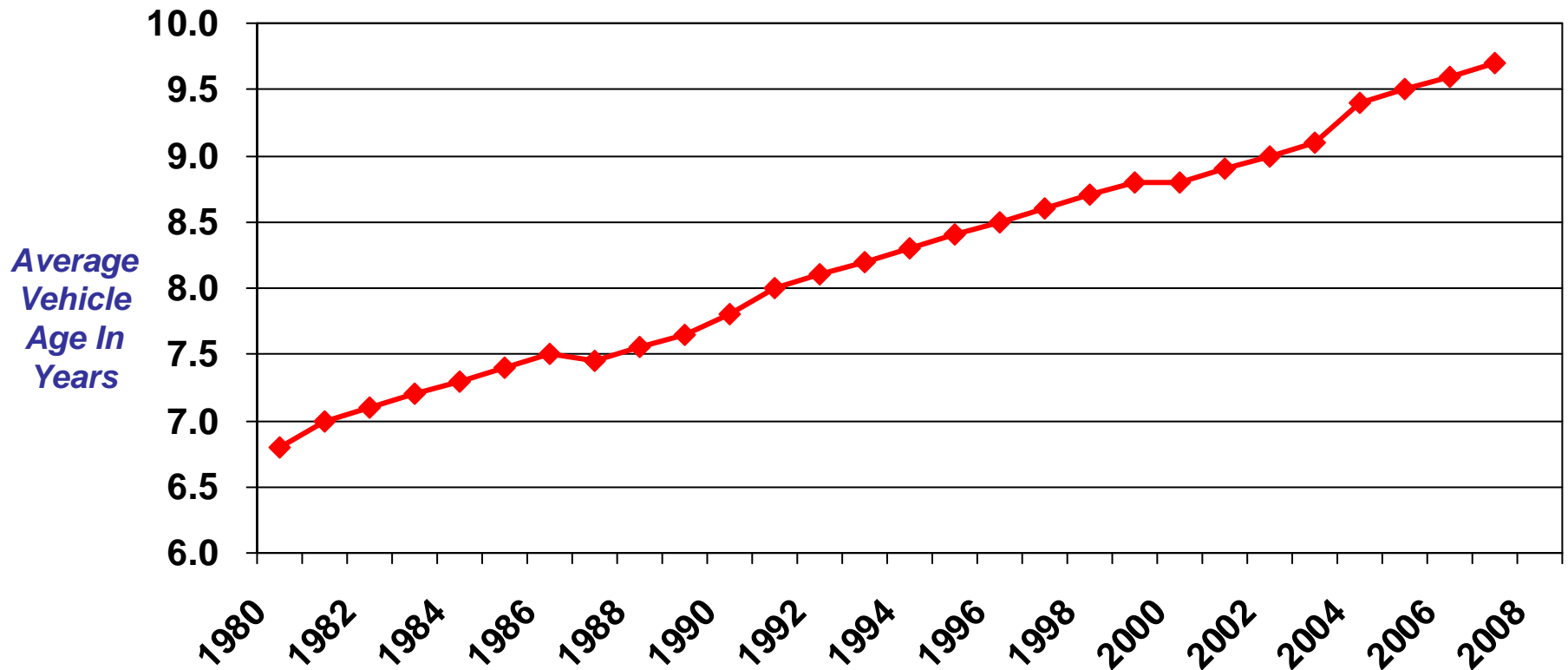
# Global Vehicle Population Growth Trends



Source: IHS Global Insight Automotive, Inc., 10-09

<b>China</b> 2009-2014 CAGR 11%	<b>India</b> 2009-2014 CAGR 8%	<b>E. Europe</b> 2009-2014 CAGR 2.3%	<b>W. Europe</b> 2009-2014 CAGR 0.7%
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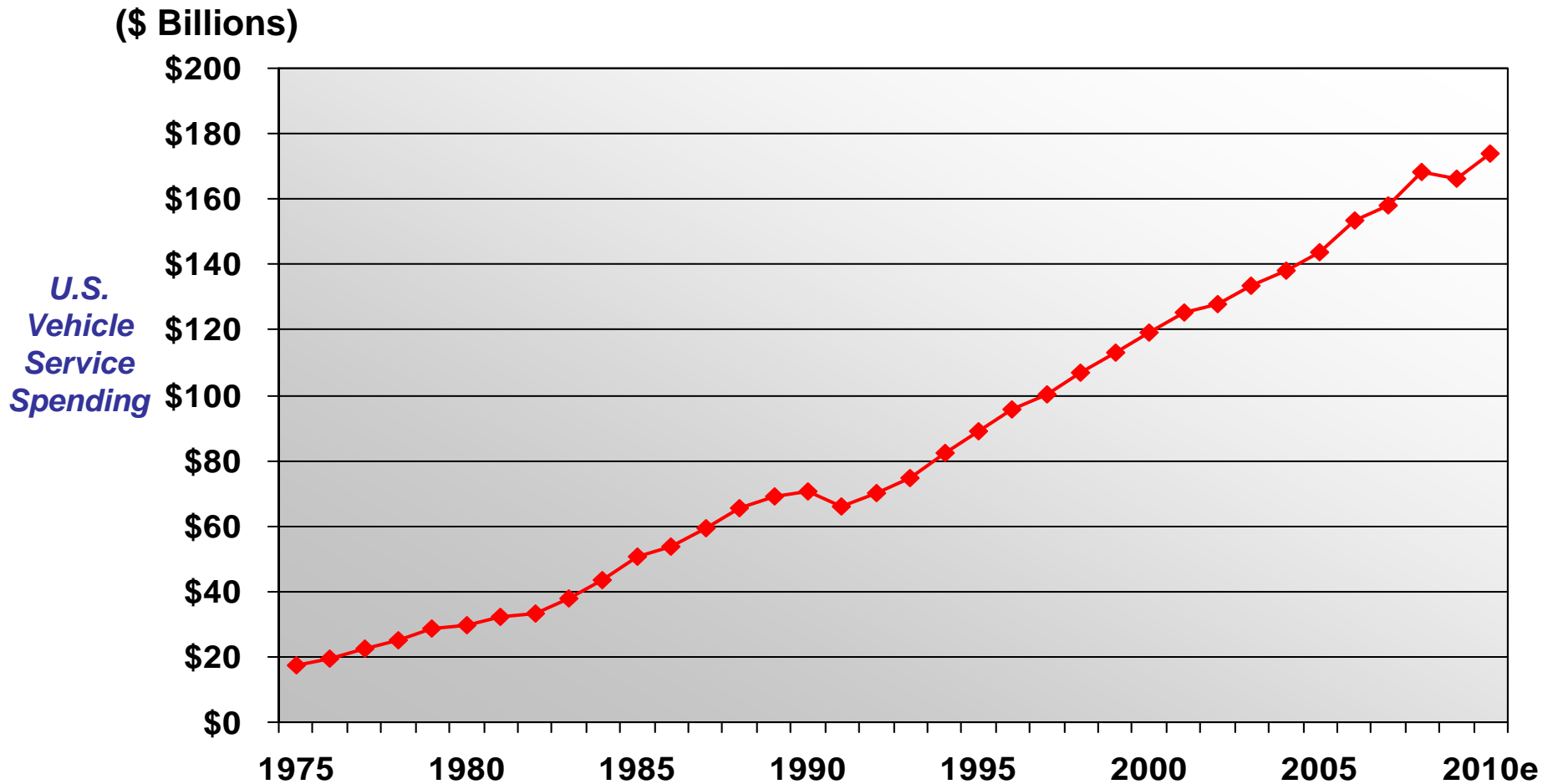
# U.S. Vehicle Aging Drives Service Growth



**Cars Are Aging: >40% Over 10 Yrs. Old**

Source: R.L. Polk, Co

# U.S. Service Opportunity Continues

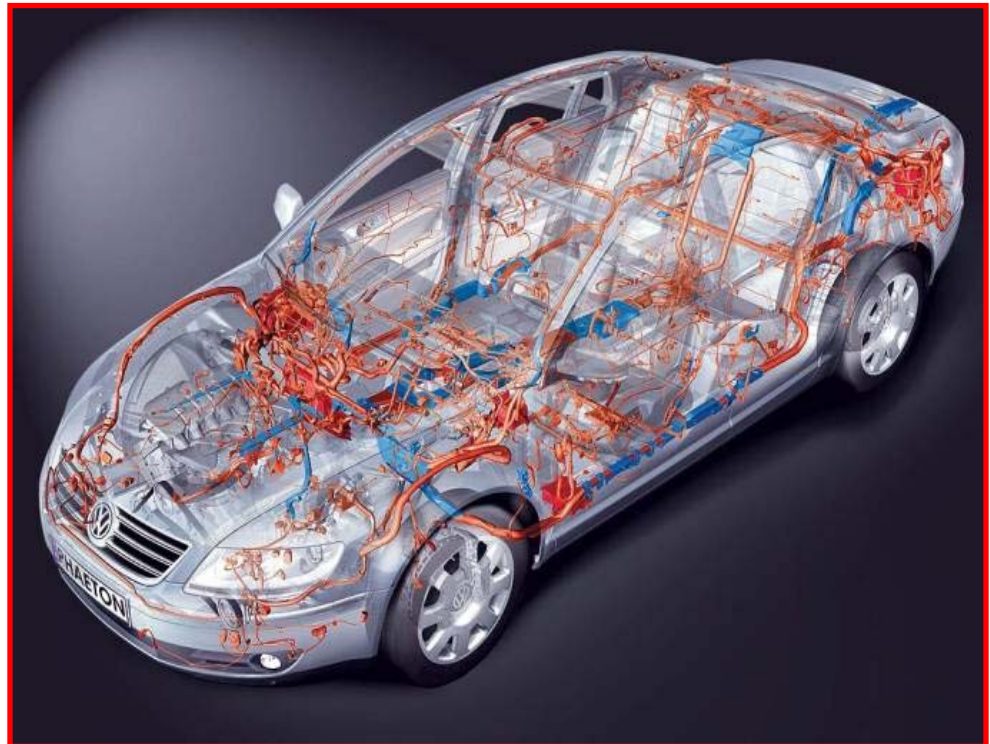


Source: Automotive Aftermarket Industry Association (AAIA), 2010 Factbook. Excludes the Do-it-Yourself (DIY) market segment

# Vehicle Technology Provides Growth Opportunity

- 100's of systems on vehicles
- Test requirements & re-programming requirements expanding
- Average vehicle has:
  - » 4000 repair illustrations
  - » 600 diagnostic codes
  - » 63 wiring diagrams
- Maintenance schedules becoming more complex
- Shop management key to productivity
- Repair information growing exponentially

Diagnostic Equipment & Software  
Electronics Parts Catalogs  
Repair Information  
Shop Management Tools



# Snap-on Addresses Vehicle Technology With Content, Coverage and Integration

**VALUE ADDED**

**ETHOS** - Simplifies a tough job  
Codes & live data  
Simple, upgradeable

**SOLUS PRO** - The depth & capabilities every tech needs

Troubleshooter tips and  
Time-savers  
Functional tests  
Color display

**MODIS** - Scan, Scope, Meter for the expert

A true multifunction tool  
Instrumentation & information  
Code diagnostics plus component tests  
Expandable  
Accessories

**VERUS** - Fix the vehicle and manage the business

True integration  
Windows XP multitasking  
Wireless Internet  
One-touch navigation  
Single vehicle ID  
Diagnostic plus information  
Online research  
Repair information  
Customer records  
Personal database



# Snap-on Enables Repair Shop Productivity & Profitability With Depth and Breadth of Products/Services

- Most innovative tools/equipment to improve productivity
- Shop management systems to enhance profitability
- Repair information to provide needed coverage of makes/models
- Parts catalogs for OEM dealerships are a critical success tool
- New under-car equipment technologies to make repairs faster, easier and more accurate

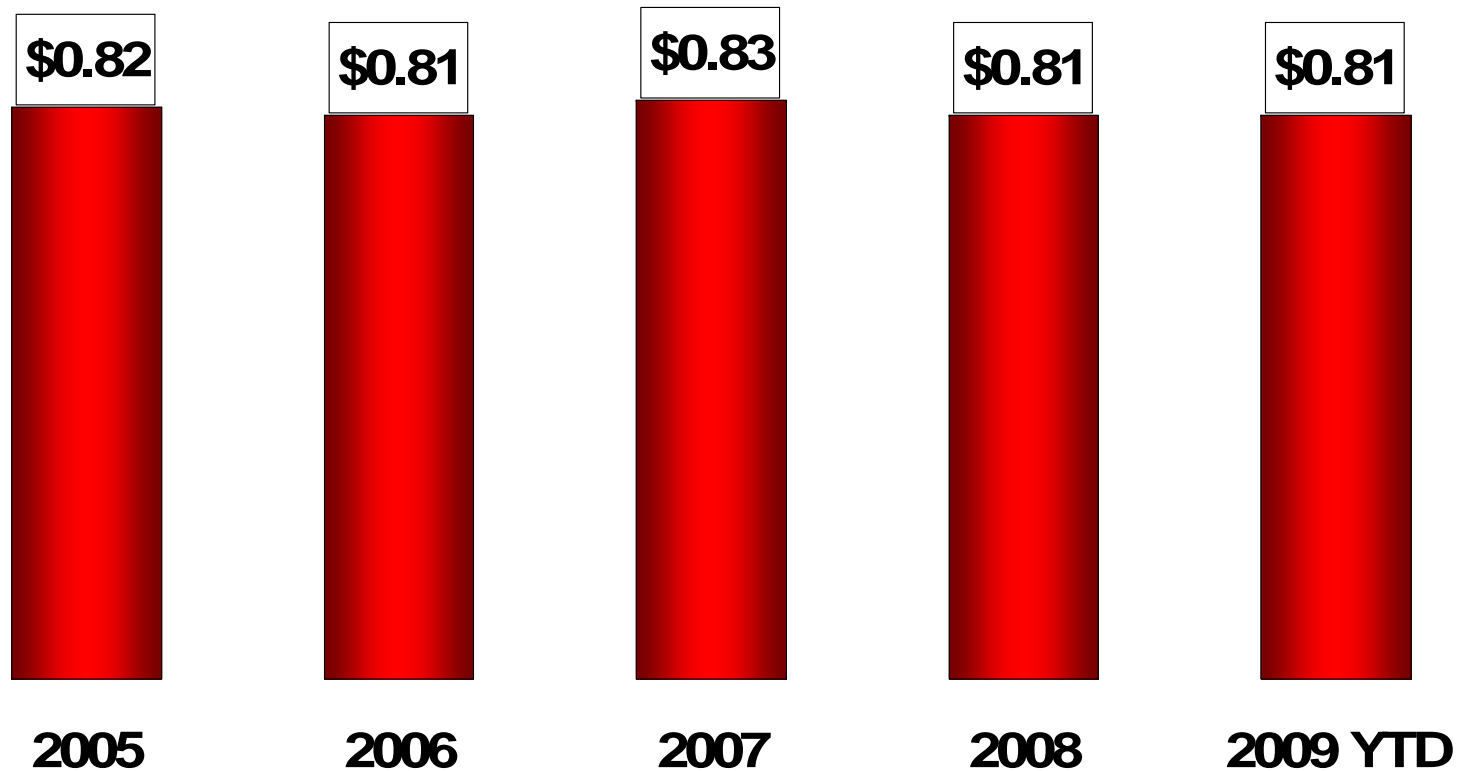


# Unique Franchisee Mobile Distribution

- Iconic Snap-on Brand
- Innovative Productivity-focused Solutions
- Personal Service and Consultation
- Broadest Product Offering
- Convenience
- Credit



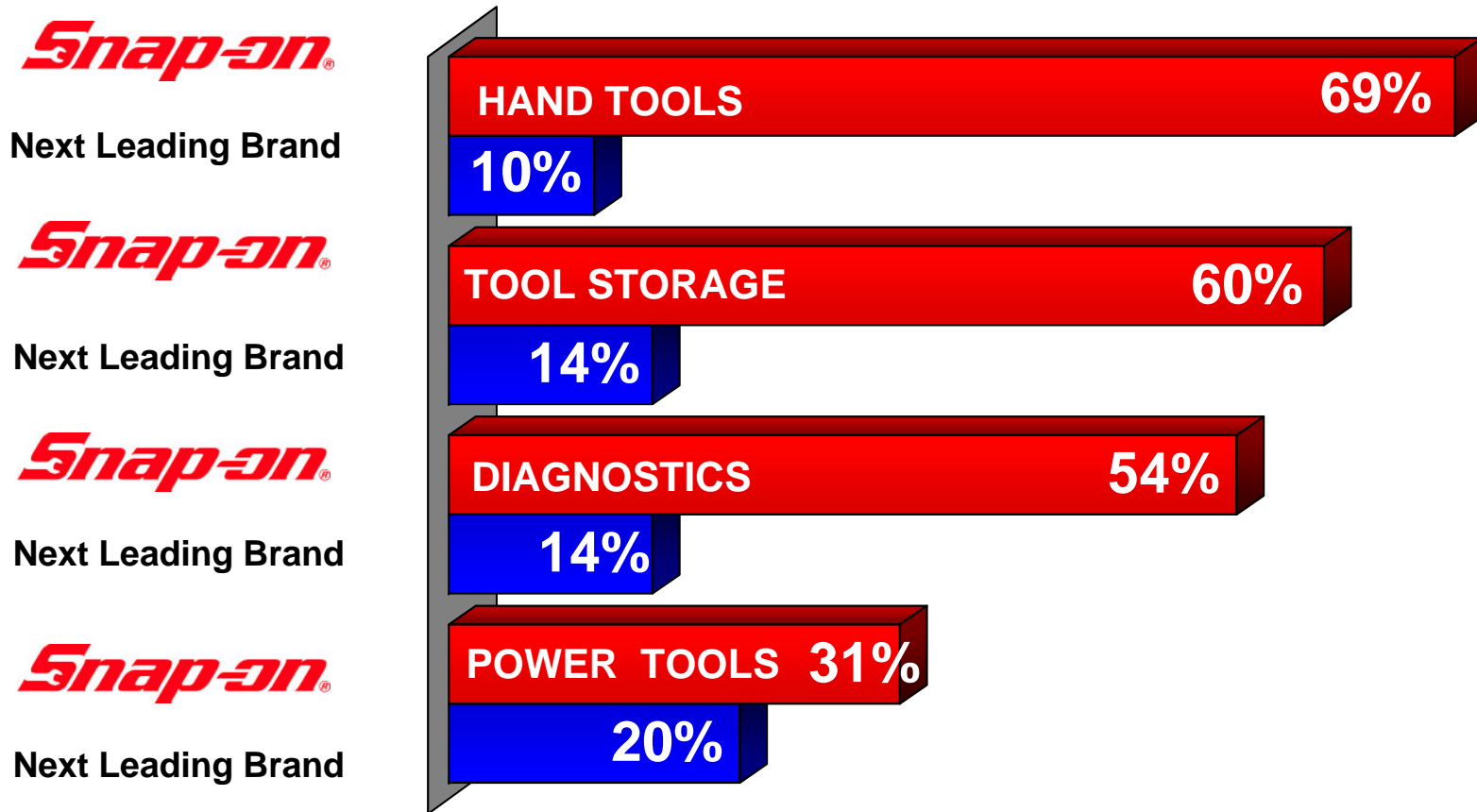
# U.S. Mobile Tool Distributors Capture More Than 80¢ of Every \$1 Technicians Spend on Tools & Equipment



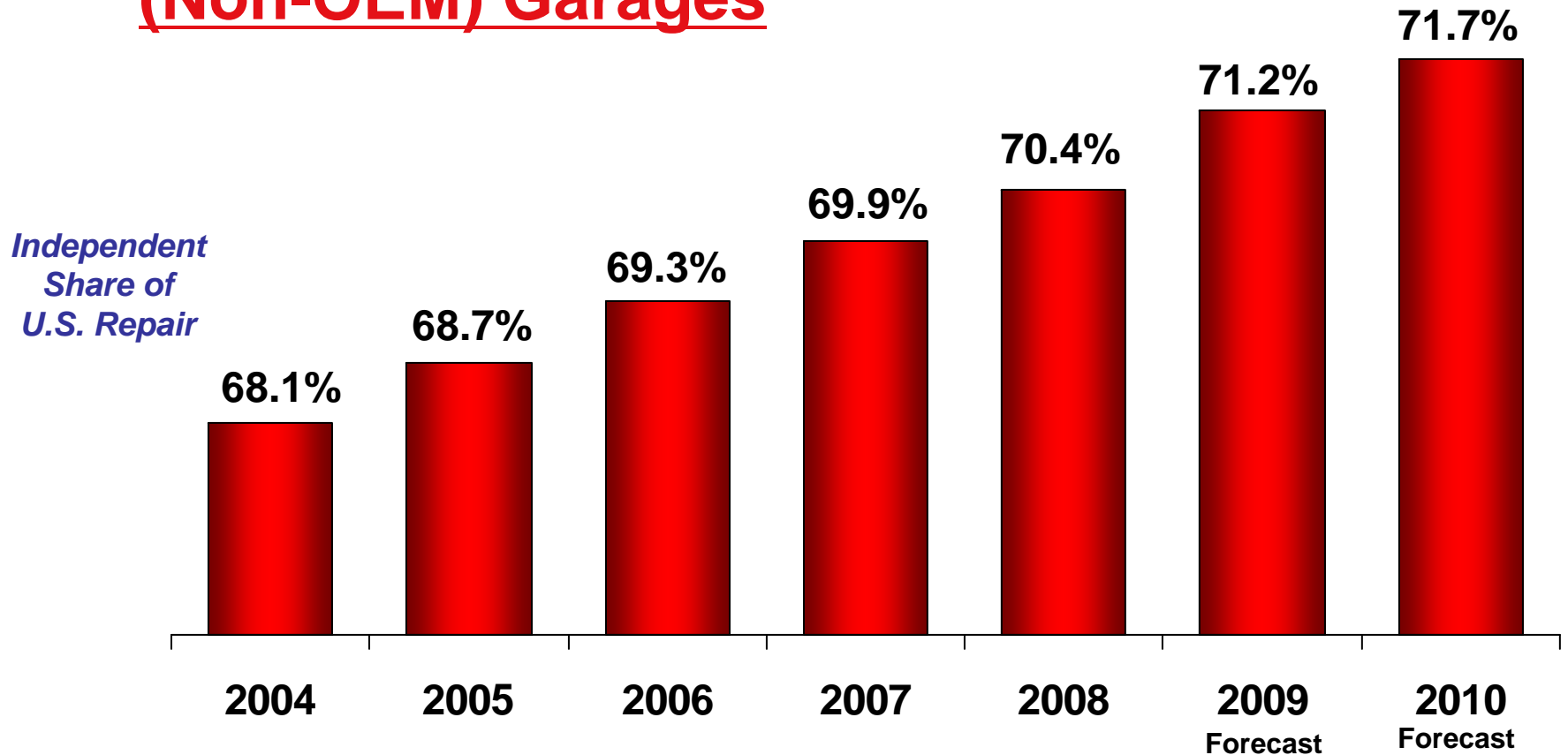
Source: *Snap-on 2005-09 U.S. Automotive Technician Tracking Studies*

# U.S. Automotive Technicians Rate Snap-on as the Best Overall Tool Brand in Key Categories

U.S. BEST OVERALL BRAND – Frost & Sullivan 2009



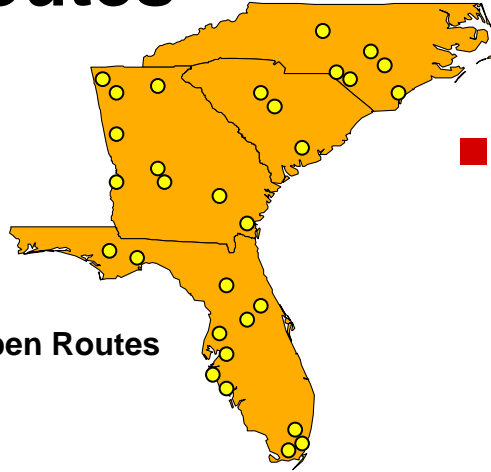
# U.S. Repair Moving Toward Independent (Non-OEM) Garages



**Snap-on has larger share and higher value in independent segment**

# Snap-on: Opportunities to Extend Van Reach

- Fill open routes



SE Region Open Routes

- Expand in mid-tier

- Improve productivity



# Global Industrial Markets

- Mission critical industries: Customers who require repeatable and reliable solutions
  - » Traditional power generation
  - » Alternative energy and wind power
  - » Natural resource extraction
  - » Government and military
  - » Vocational education
  - » Aerospace and aviation



# Snap-on Is Extending Its Strengths To Critical Industrial Segments

- Product quality and reliability
- Broad and deep assortments with unique ergonomic and/or functional design
- Expertise in specialization
- Innovation Solutions
- Productivity creates high value proposition



# Snap-on Brand Extends to Industrial

## LARGE TOOLS



## SPECIALTY TOOLS



Snap-on sales in this space up mid-teens in 2006 and 2007

## TORQUE TOOLS

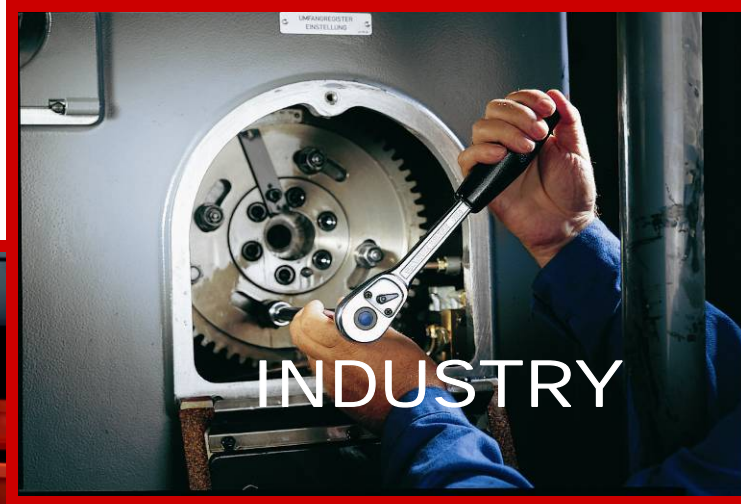


## MOBILE TOOL SOLUTIONS



## TOTAL ASSET MANAGEMENT

# Bahco Brand Serves the Premium Professional Segments in Europe and Asia



# Bahco Premier Brand In Europe & Asia

- Choice Of Professionals
- Differentiated Ergonomics
- Metallurgical Advantages
- Cutting Technology



## Emerging Markets - Snap-on In Asia 6 Years Ago

- Offices in Singapore, Beijing, Seoul
- Weak distributor network
- Little coordination
- No local products



# Emerging Markets - Target Growth Segments



# Emerging Markets: Building Infrastructure

## Asia: Kunshan

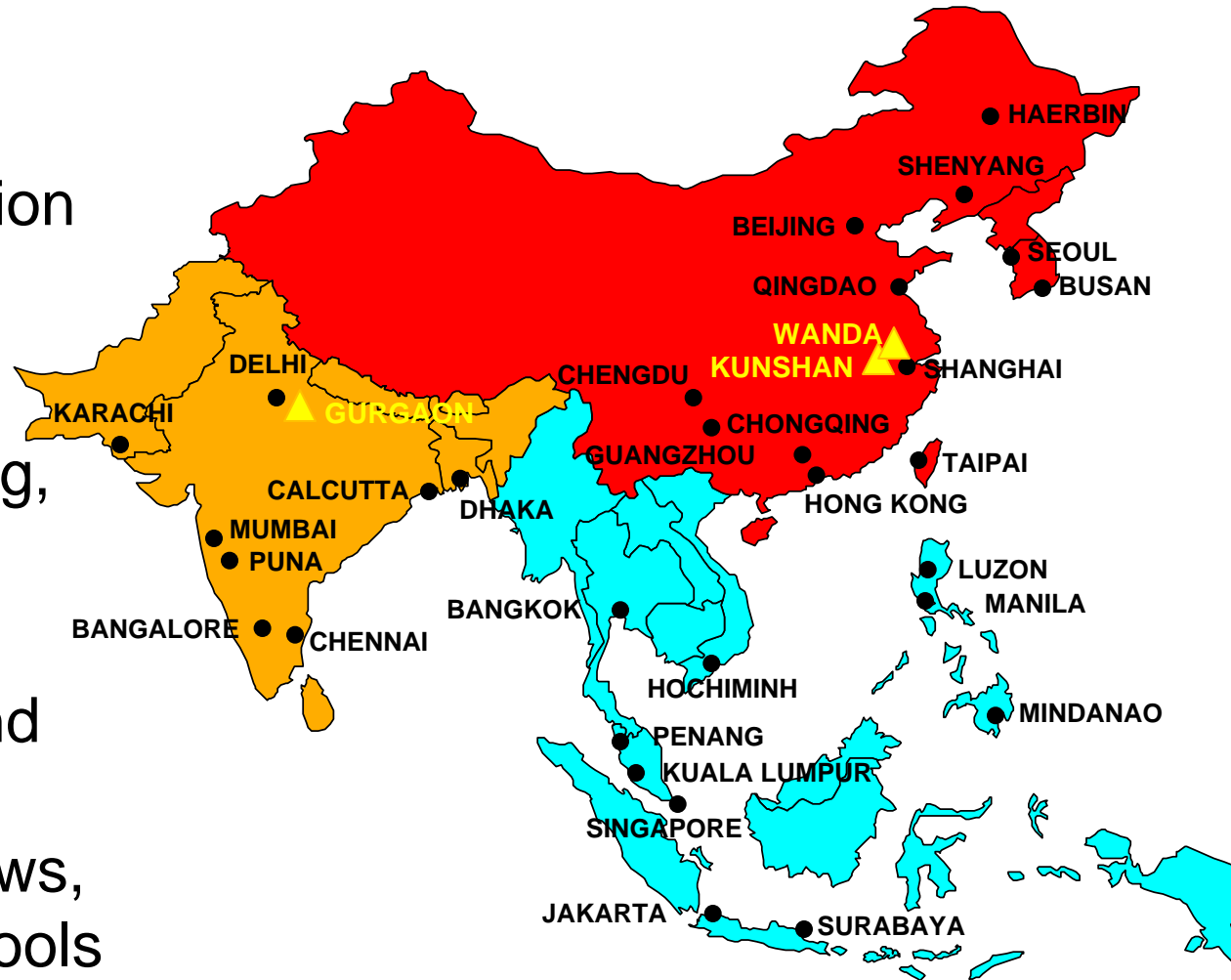


## Eastern Europe: Minsk



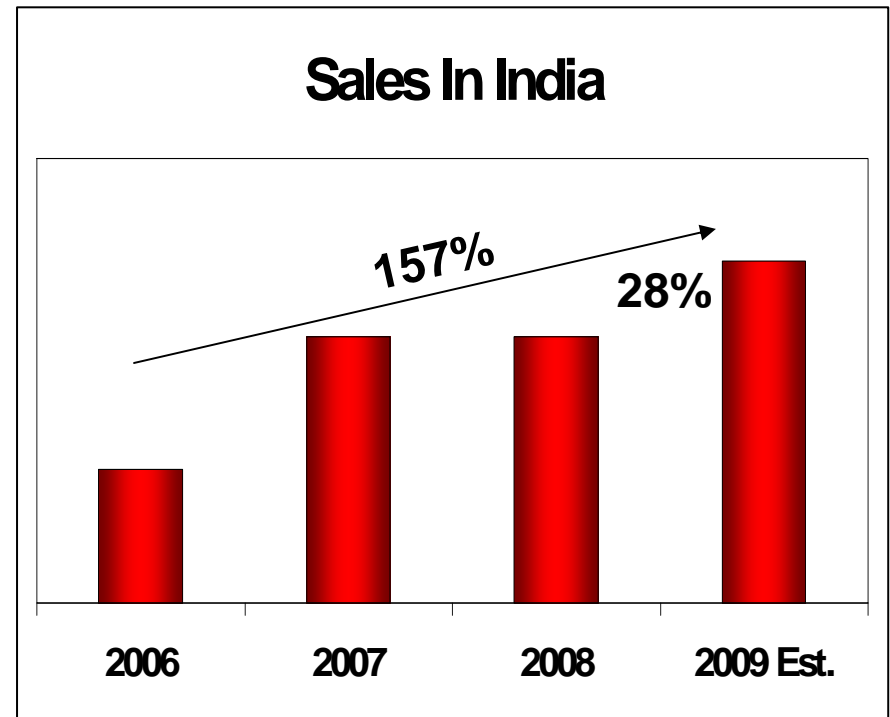
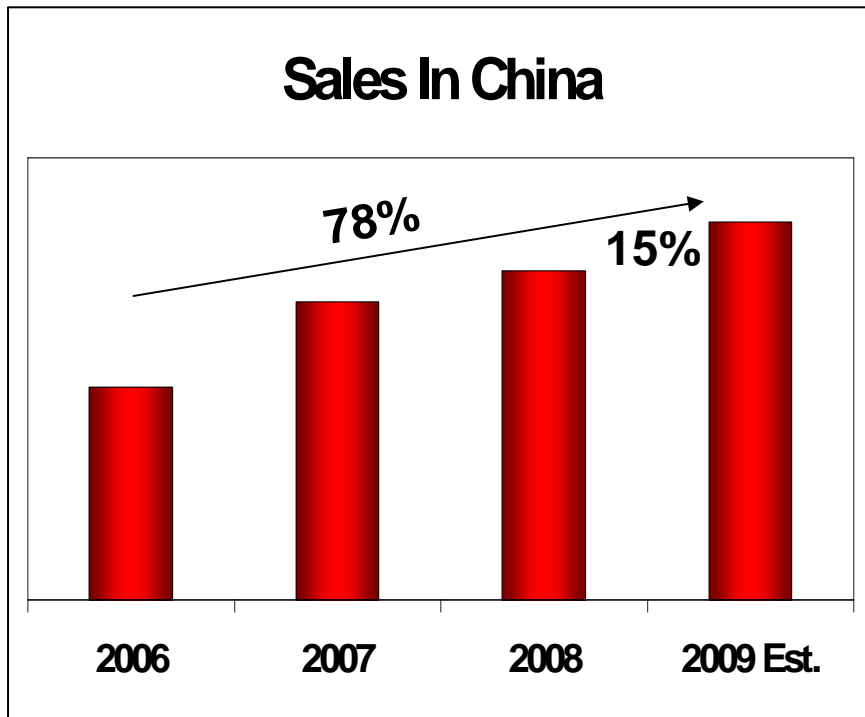
# Emerging Markets - Snap-on In Asia Today

- 30 offices
- Broadened distribution
  - » 500 resellers
- 900 associates:  
Distribution, sourcing,  
manufacturing and  
assembly
- Local products: Hand  
tools, undercar  
equipment, hack saws,  
band saws, power tools  
and tool storage



# Growth Record In Asia

- Small base...markets generally unclaimed



# SNAP-ON VALUE CREATION

Principles & Process We Apply To Create Value

Safety Culture & Practices

Quality Assurance

Customer Connection

Rapid Continuous Improvement

Innovation & User Insight Process

# SNAP-ON VALUE CREATION

## Customer Connection

- Unique Snap-on opportunity to fully leverage customer contacts

- » 4,700 franchisees
- » 3,000 direct sales people
- » 27,000 distributors
- » 2,500 vocational schools
- » 300,000 repair shops

**Collect, monitor and  
feedback direct  
customer input**

**Utilize unique organization  
to deliver  
voice of the customer**



# SNAP-ON VALUE CREATION

## Innovation & User Insight Process

- Founded on innovation
- Now, formalized and elevated to a key, strategic focus
- Centers for innovation established
- Development process reinvigorated
- Field input optimized
- New products driving growth

**innovation**  
WORKS



# SNAP-ON VALUE CREATION

## Innovation & User Insight Process

- Proprietary technology extends innovation



**METALLURGY**



**POWER TO WEIGHT**



**IMAGING**



**VALUE-ADDED CONTENT**



**ERGONOMICS**

# SNAP-ON VALUE CREATION

## Innovation & User Insight Process

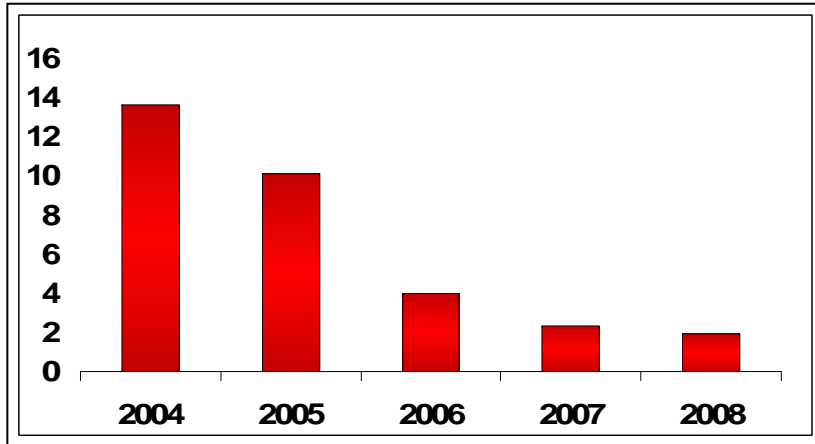
- Strong results from recent launches
- Multiple awards & recognition



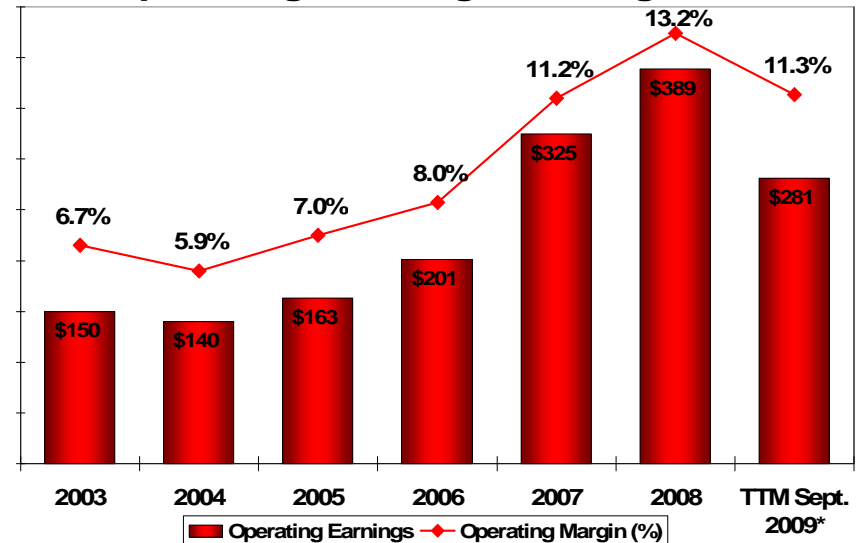
# SNAP-ON VALUE CREATION

## Safety, Quality & Rapid Continuous Improvement

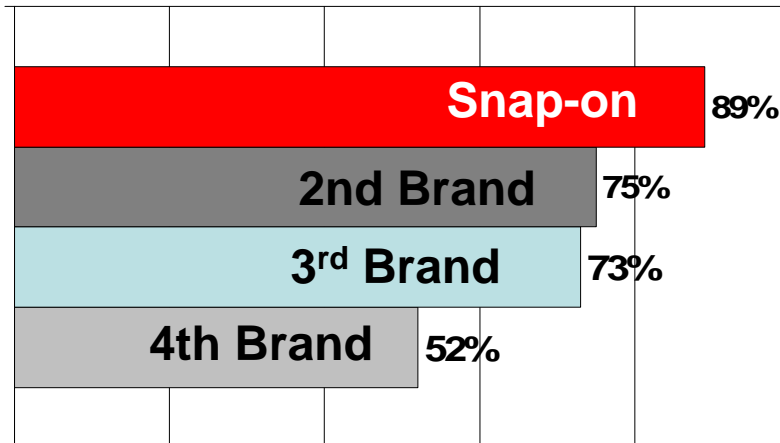
**Safety Incident Rate: 89% Reduction**



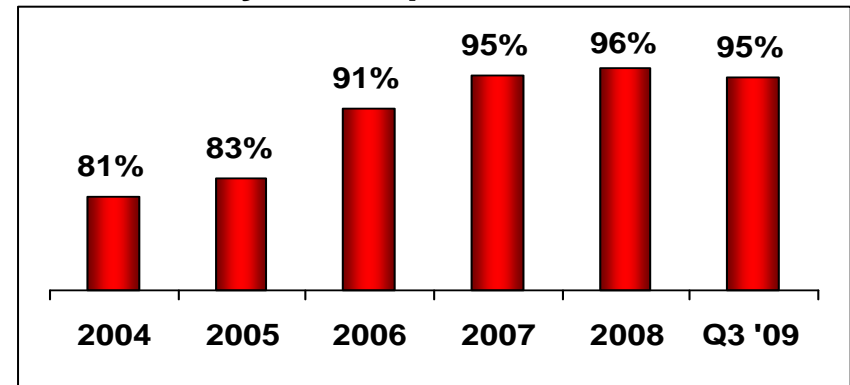
**Operating Earnings & Margin**



**Quality Rating By Technician Users**



**Delivery – Complete and On Time**



# Financial Services Segment

- Financing operations exist to support franchisees and their customers in all franchisee markets

(\$ Millions)	Finance Portfolios – Q3 2009	
	Owned	Managed
U.S. (Snap-on Credit)	\$ 130	\$ 722
International	\$ 125	
Total	\$ 255	\$ 722

- Long history of profit contribution to Snap-on
  - » Customers have few financing alternatives
  - » Franchisee collection and recourse
  - » Essential nature of products financed to customers

# Financial Services Update

- Seamless transition of Snap-on Credit since termination on July 16<sup>th</sup> of J.V. with CIT
- Expected near term operating losses as interest yield from portfolio build ramps-up
  - » Q3 segment operating loss of \$5.3 million
  - » Q4 expected operating loss of \$3.0 - \$5.0 million
  - » Expected breakeven or better in Q1-2010
  - » Once fully ramped, expected annual operating income of \$80 - \$85 million by 2013

# Recent Financial Highlights – Q3 2009

- Q3 2009 seasonal sales decline less than historically experienced
- Sequential improvement in operating income from Q2
- Innovation, RCI and cost reductions push back against economic-related volume and currency headwinds
- Maintain reasonable margins notwithstanding lower sales
- Strong cash flow performance
- Continued investments in global growth opportunities and franchise system

# Snap-on Third Quarter Results (\$ Millions)

	<u>Q3 2009</u>	<u>Q3 2008</u>
Sales	\$ 582	\$ 698
% change (ex currency)	(13.6)%	
Operating Income %	10.1%	11.9%
EBITDA Margin %	13.3%	14.7%
Free Cash Flow - Operations - QTD	\$ 83	\$ 4
- YTD	\$ 180	\$ 110
Debt	\$ 1,069	\$ 515
Cash	\$ 709	\$ 116

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**Thank you for your interest in Snap-on.**