



Quarterly Financial Review

Second Quarter 2016

Cautionary Statement

- These slides should be read in conjunction with comments from a conference call held on July 21, 2016. The financial statement information included herein is unaudited.
- Statements made during the July 21, 2016 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 21, 2016 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 21, 2016 press release and Form 8-K, which can be found on the company's website at <http://www.snapon.com/sna>.

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 and Chief Executive Officer



Aldo Pagliari

Senior Vice President and Chief Financial Officer

Consolidated Results – 2nd Quarter

(\$ in millions, except per share data - unaudited)	2016		2015		Change
	\$	%	\$	%	
Net sales	\$ 872.3		\$ 851.8		2.4 %
➤ Organic sales	24.8				2.9 %
➤ Acquisition	5.9				0.7 %
➤ Currency translation	(10.2)				(1.2)%
Gross profit	\$ 431.3	49.4 %	\$ 419.0	49.2 %	
Operating expenses	264.9	30.3 %	268.2	31.5 %	
Operating earnings before financial services	\$ 166.4	19.1 %	\$ 150.8	17.7 %	10.3 %
Financial services revenue	\$ 69.3		\$ 58.7		18.1 %
Financial services operating earnings	49.5		41.4		19.6 %
Operating earnings	\$ 215.9	22.9 %	\$ 192.2	21.1 %	12.3 %
Net earnings	\$ 140.1		\$ 120.0		16.8 %
Diluted EPS	\$ 2.36		\$ 2.03		16.3 %

- Organic sales up 2.9%; excludes \$10.2 million of unfavorable foreign currency translation and \$5.9 million of acquisition-related sales
- Gross margin of 49.4% up 20 basis points (bps) as benefits from higher sales and savings from Rapid Continuous Improvement (“RCI”) initiatives were partially offset by 40 bps of unfavorable foreign currency effects
- The operating expense margin of 30.3% improved 120 bps primarily due to sales volume leverage and savings from RCI initiatives, benefits from lower stock-based compensation and other expenses, and lower pension expense
- Operating earnings before financial services of \$166.4 million, including \$6.1 million of unfavorable foreign currency effects, increased \$15.6 million and the operating margin improved 140 bps to 19.1%

Commercial & Industrial – 2nd Quarter

(\$ in millions - unaudited)	2016	2015	Change
Segment sales	\$ 285.7	\$ 295.8	(3.4)%
➤ Organic sales	(5.9)		(2.0)%
➤ Currency translation	(4.2)		(1.4)%
Gross profit	\$ 111.4	\$ 112.9	
% of sales	39.0 %	38.2 %	
Operating expenses	\$ 72.1	\$ 70.7	
% of sales	25.2 %	23.9 %	
Operating earnings	\$ 39.3	\$ 42.2	(6.9)%
% of sales	13.8 %	14.3 %	

- Organic sales down \$5.9 million or 2.0%
 - Lower sales to customers in critical industries were partially offset by gains in the segment's Asia/Pacific and power tools operations, and higher sales from the segment's European-based hand tools business
- Gross margin of 39.0% improved 80 bps primarily due to savings from RCI and other cost reduction initiatives
- The operating expense margin of 25.2% increased 130 bps primarily as a result of unfavorable sales volume leverage and higher costs, including costs associated with continued expansion initiatives in Asia
- Operating earnings of \$39.3 million, including \$1.0 million of unfavorable foreign currency effects, decreased \$2.9 million and the operating margin of 13.8% decreased 50 bps

Snap-on Tools – 2nd Quarter

(\$ in millions - unaudited)	2016	2015	Change
Segment sales	\$ 416.7	\$ 398.7	4.5 %
➤ Organic sales	22.7		5.8 %
➤ Currency translation	(4.7)		(1.3)%
Gross profit	\$ 182.1	\$ 176.5	
% of sales	43.7 %	44.3 %	
Operating expenses	\$ 105.8	\$ 108.5	
% of sales	25.4 %	27.2 %	
Operating earnings	\$ 76.3	\$ 68.0	12.2 %
% of sales	18.3 %	17.1 %	

- Organic sales up \$22.7 million, or 5.8%, reflecting similar sales increases in both the company's U.S. and international franchise operations
- Gross margin of 43.7% decreased 60 bps primarily due to 80 bps of unfavorable foreign currency effects
- The operating expense margin of 25.4% improved 180 bps primarily due to sales volume leverage and savings from RCI initiatives, as well as 20 bps of lower stock-based costs associated with the company's franchisee stock purchase plan
- Operating earnings of \$76.3 million, including \$4.1 million of unfavorable foreign currency effects, increased \$8.3 million and the operating margin of 18.3% improved 120 bps

Repair Systems & Information – 2nd Quarter

(\$ in millions - unaudited)	2016	2015	Change
Segment sales	\$ 295.2	\$ 277.4	6.4 %
➤ Organic sales	14.2		5.2 %
➤ Acquisition	5.9		2.1 %
➤ Currency translation	(2.3)		(0.9)%
Gross profit	\$ 137.8	\$ 129.6	
% of sales	46.7 %	46.7 %	
Operating expenses	\$ 63.3	\$ 61.9	
% of sales	21.5 %	22.3 %	
Operating earnings	\$ 74.5	\$ 67.7	10.0 %
% of sales	25.2 %	24.4 %	

- Organic sales up \$14.2 million or 5.2%
 - Increased sales of diagnostic and repair information products to independent repair shop owners and managers, and increases in both sales of undercar equipment and sales to OEM dealerships
- Gross margin of 46.7% in both periods
- The operating expense margin of 21.5% improved 80 bps primarily due to sales volume leverage and savings from RCI initiatives
- Operating earnings of \$74.5 million, including \$1.0 million of unfavorable foreign currency effects, increased \$6.8 million and the operating margin of 25.2% improved 80 bps

Financial Services – 2nd Quarter

<i>(\$ in millions - unaudited)</i>	2016	2015	Change
Segment revenue	\$ 69.3	\$ 58.7	18.1 %
Operating earnings	\$ 49.5	\$ 41.4	19.6 %
Originations	\$ 281.0	\$ 253.4	10.9 %

- Originations increased \$27.6 million or 10.9%
- Average yield on finance receivables of 17.9% compared to 17.8% in 2015
- Average yield on contract receivables of 9.3% compared to 9.4% in 2015

Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,221.5	\$ 1,497.8	\$ 152.8	\$ 214.2
Portfolio net losses (TTM)	\$ 27.0	\$ 28.0	\$ 1.5	\$ 1.8
60+ Delinquency:				
As of 06/30/16	1.1 %	0.9 %	0.6 %	0.6 %
As of 03/31/16	1.2 %	1.0 %	0.7%	0.6 %
As of 12/31/15	1.3 %	1.1 %	0.7 %	0.6 %
As of 09/30/15	1.2 %	1.0 %	0.5 %	0.4 %
As of 06/30/15	1.0 %	0.8 %	0.6 %	0.5 %

- Gross finance portfolio of \$1,712.0 million as of July 2, 2016
 - June YTD 2016 portfolio growth of \$121.3 million
- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	2nd Quarter		June YTD	
	2016	2015	2016	2015
Net cash provided by operating activities	\$ 162.1	\$ 160.3	\$ 303.7	\$ 238.4
➤ Net earnings	143.4	123.0	274.7	236.2
➤ Depreciation and amortization	21.7	20.6	42.7	40.6
➤ Changes in deferred income taxes	(15.1)	(7.6)	(5.7)	3.1
➤ Changes in working investment	6.0	(15.5)	6.3	(34.8)
➤ Changes in accruals and other liabilities	1.0	38.4	(22.5)	9.7
➤ Changes in all other operating activities	5.1	1.4	8.2	(16.4)
Net increase in finance receivables	\$ (76.9)	\$ (58.1)	\$ (133.7)	\$ (96.7)
Capital expenditures	\$ (20.6)	\$ (27.7)	\$ (40.1)	\$ (45.8)
Free cash flow	\$ 64.6	\$ 74.5	\$ 129.9	\$ 95.9
Free cash flow from Operations	\$ 120.1	\$ 97.5	\$ 207.2	\$ 127.4
Free cash flow from Financial Services	\$ (55.5)	\$ (23.0)	\$ (77.3)	\$ (31.5)
Increase (decrease) in cash	\$ 13.6	\$ 10.2	\$ 27.1	\$ (8.3)

- 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>	July 2, 2016	January 2, 2016
Trade & Other Accounts Receivable - net	\$ 565.9	\$ 562.5
Days Sales Outstanding	60	60
Finance Receivables - net	\$ 1,331.7	\$ 1,220.0
Contract Receivables - net	\$ 353.0	\$ 348.7
Inventory - net	\$ 507.1	\$ 497.8
Inventory turns - TTM	3.4	3.5
Cash	\$ 119.9	\$ 92.8
Total debt	\$ 889.6	\$ 880.1
Net debt	\$ 769.7	\$ 787.3
Net debt to capital ratio	23.0 %	24.6 %

- As of July 2, 2016 and January 2, 2016, there were no commercial paper borrowings.