

Quarterly Financial Review

Third Quarter 2016



Cautionary Statement

- These slides should be read in conjunction with comments from the October 20, 2016 conference call. The financial statement information included herein is unaudited.
- Statements made during the October 20, 2016 conference call and/or information included in this presentation may contain statements, including earnings projections, that are forwardlooking 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 forwardlooking statement provided during the October 20, 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 October 20, 2016 press release and Form 8-K, which can be found on the company's website at <u>http://www.snapon.com/sna</u>.





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 – 3rd Quarter

	2016		2015		
(\$ in millions, except per share data - unaudited)	\$	%	\$	%	Change
Net sales Organic sales Acquisition Currency translation 	\$ 834.1 21.2 1.1 (9.7)		\$ 821.5		1.5 % 2.6 % 0.1 % (1.2)%
Gross profit Operating expenses	\$ 419.1 261.5	50.2 % 31.3 %	\$ 406.9 263.3	49.5 % 32.0 %	
Operating earnings before financial services	\$ 157.6	18.9 %	\$ 143.6	17.5 %	9.7 %
Financial services revenue Financial services operating earnings	\$ 71.6 50.6		\$ 61.1 43.5		17.2 % 16.3 %
Operating earnings	\$ 208.2	23.0 %	\$ 187.1	21.2 %	11.3 %
Net earnings Diluted EPS	\$ 131.7 \$ 2.22		\$ 116.8 \$ 1.98		12.8 % 12.1 %

• Organic sales up 2.6%; excludes \$9.7 million of unfavorable foreign currency translation and \$1.1 million of acquisition-related sales

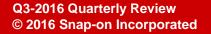
- Gross margin of 50.2% up 70 basis points (bps) primarily due to higher sales and savings from Rapid Continuous Improvement ("RCI") initiatives
- The operating expense margin of 31.3% improved 70 bps primarily due to sales volume leverage and benefits from lower pension expense
- Operating earnings before financial services of \$157.6 million, including \$4.0 million of unfavorable foreign currency effects, increased \$14.0 million and the operating margin improved 140 bps to 18.9%



Commercial & Industrial – 3rd Quarter

(\$ in millions - unaudited)	2016	2015	Change
Segment sales	\$ 289.3	\$ 288.5	0.3 %
Organic sales	4.3		1.5 %
Currency translation	(3.5)		(1.2)%
Gross profit % of sales	\$ 112.7 39.0 %	\$ 109.5 37.9 %	
Operating expenses % of sales	\$ 69.0 23.9 %	\$ 68.2 23.6 %	
Operating earnings % of sales	\$ 43.7 15.1 %	\$ 41.3 14.3 %	5.8 %

- Organic sales up \$4.3 million or 1.5%
 - Increased sales in the segment's European-based hand tools business, and gains in the segment's Asia/Pacific and power tools operations; sales to customers in critical industries were essentially flat
- Gross margin of 39.0% improved 110 bps primarily due to savings from RCI initiatives and favorable foreign currency effects
- The operating expense margin of 23.9% increased 30 bps primarily as a result of higher costs, including costs associated with continued expansion initiatives in Asia, and unfavorable foreign currency effects
- Operating earnings of \$43.7 million, including \$0.3 million of favorable foreign currency effects, increased \$2.4 million and the operating margin of 15.1% improved 80 bps





Snap-on Tools – 3rd Quarter

(\$ in millions - unaudited)	2016	2015	Change
Segment sales Organic sales Currency translation 	\$ 397.2 21.2 (4.6)	\$ 380.6	4.4 % 5.6 % (1.2)%
Gross profit	\$ 173.3	\$ 166.5	
% of sales	43.6 %	43.8 %	
Operating expenses	\$ 108.7	\$ 110.2	
% of sales	27.3 %	29.0 %	
Operating earnings	\$ 64.6	\$ 56.3	14.7 %
% of sales	16.3 %	14.8 %	

 Organic sales up \$21.2 million, or 5.6%, reflecting similar sales increases in both the company's U.S. and international franchise operations

- Gross margin of 43.6% declined 20 bps as the impact of unfavorable foreign currency effects was partially
 offset by benefits from higher sales and savings from RCI initiatives
- The operating expense margin of 27.3% improved 170 bps primarily due to sales volume leverage and savings from RCI and other cost reduction initiatives
- Operating earnings of \$64.6 million, including \$3.2 million of unfavorable foreign currency effects, increased \$8.3 million and the operating margin of 16.3% improved 150 bps





Repair Systems & Information – 3rd Quarter

(\$ in millions - unaudited)	2016	2015	Change
Segment sales	\$ 286.1	\$ 282.9	1.1 %
Organic sales	4.9		1.7 %
Acquisition	1.1		0.4 %
Currency translation	(2.8)		(1.0)%
Gross profit	\$ 133.1	\$ 130.9	
% of sales	46.5 %	46.3 %	
Operating expenses	\$ 61.3	\$ 61.2	
% of sales	21.4 %	21.7 %	
Operating earnings	\$ 71.8	\$ 69.7	3.0 %
% of sales	25.1 %	24.6 %	

Organic sales up \$4.9 million or 1.7%

- Increased sales of diagnostic and repair information products to independent repair shop owners and managers; sales of both undercar equipment and sales to OEM dealerships were essentially flat
- Gross margin of 46.5% improved 20 bps primarily due to savings from RCI initiatives partially offset by unfavorable foreign currency effects
- The operating expense margin of 21.4% improved 30 bps primarily due to savings from RCI initiatives
- Operating earnings of \$71.8 million, including \$1.1 million of unfavorable foreign currency effects, increased \$2.1 million and the operating margin of 25.1% improved 50 bps



Financial Services – 3rd Quarter

(\$ in millions - unaudited)	2016	2015	Change
Segment revenue	\$ 71.6	\$ 61.1	17.2 %
Operating earnings	\$ 50.6	\$ 43.5	16.3 %
Originations	\$ 269.8	\$ 257.6	4.7 %

Originations increased \$12.2 million or 4.7%

- Average yield on finance receivables of 18.0% compared to 17.9% in 2015
- Average yield on contract receivables of 9.4% compared to 9.5% in 2015



Financial Services Portfolio Data

	United States		International		
(\$ in millions - unaudited)	Extended Credit	Total	Extended Credit	Total	
Gross finance portfolio	\$ 1,264.1	\$ 1,561.8	\$ 155.7	\$ 219.2	
Portfolio net losses (TTM)	\$ 28.5	\$ 29.6	\$ 1.7	\$ 2.0	
60+ Delinquency:					
As of 09/30/16	1.3 %	1.1 %	0.6 %	0.5 %	
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 %	

- Gross finance portfolio of \$1,781.0 million as of October 1, 2016
 - September YTD 2016 portfolio growth of \$190.3 million
- TTM Trailing twelve months

Cash Flows

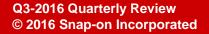
	3rd Quarter		September YTD	
(\$ in millions - unaudited)	2016	2015	2016	2015
Net cash provided by operating activities	\$ 111.9	\$ 113.7	\$ 415.6	\$ 352.1
Net earnings	135.2	119.9	409.9	356.1
Depreciation and amortization	21.2	20.5	63.9	61.1
Changes in deferred income taxes	(6.8)	(9.3)	(12.5)	(6.2)
Changes in working investment	(39.7)	(41.5)	(33.4)	(76.3)
Changes in accruals and other liabilities	11.6	18.8	(10.9)	28.5
Changes in all other operating activities	(9.6)	5.3	(1.4)	(11.1)
Net increase in finance receivables	\$ (56.0)	\$ (55.9)	\$ (189.7)	\$ (152.6)
Capital expenditures	\$ (16.5)	\$ (18.5)	\$ (56.6)	\$ (64.3)
Free cash flow	\$ 39.4	\$ 39.3	\$ 169.3	\$ 135.2
Free cash flow from Operations	\$ 88.3	\$ 78.2	\$ 295.5	\$ 205.6
Free cash flow from Financial Services	\$ (48.9)	\$ (38.9)	\$ (126.2)	\$ (70.4)
Increase (decrease) in cash	\$ (2.4)	\$ (5.4)	\$ 24.7	\$ (13.7)

• 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

(\$ in millions - unaudited)	October 1, 2016	January 2, 2016
Trade & Other Accounts Receivable - net	\$ 589.1	\$ 562.5
Days Sales Outstanding	63	60
Finance Receivables - net	\$ 1,374.2	\$ 1,220.0
Contract Receivables - net	\$ 376.7	\$ 348.7
Inventory - net	\$ 523.6	\$ 497.8
Inventory turns - TTM	3.3	3.5
Cash	\$ 117.5	\$ 92.8
Total debt	\$ 896.0	\$ 880.1
Net debt	\$ 778.5	\$ 787.3
Net debt to capital ratio	22.6 %	24.6 %

 Total debt as of October 1, 2016, included \$8.0 million of commercial paper borrowings; as of January 2, 2016, there were no commercial paper borrowings outstanding

