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SNA - Q3 2012 Snap-on Incorporated Earnings Conference Call

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OVERVIEW:

SNA reported 3Q12 net sales of $711.6m and net earnings of $74.1m or $1.26 per diluted share.

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PRESENTATION

Operator

Good day and welcome to the Snap-on Incorporated 2012 third-quarter results call. Today's conference is being recorded. At this time I would like to turn the conference over to Leslie Kratcoski, Vice President, Investor Relations. Please go ahead, ma'am.

Leslie Kratcoski - *Snap-on Incorporated - VP IR*

Thanks, Jennifer, and good morning everyone. Thanks for joining us today to review our third-quarter 2012 results, which are detailed in our press release issued earlier this morning.

We have on the call today Nick Pinchuk, Snap-on's Chief Executive Officer, and Aldo Pagliari, Snap-on's Chief Financial Officer. Nick will kick off our call this morning with his perspective on our performance. Aldo will then provide a more detailed review of our financial results. After Nick provides some closing thoughts we will take your questions.

As usual, we have provided slides to supplement our discussion. You can find a copy of the slides on our website next to the audio icon for this call. The slides will be archived on our website along with the transcript of today's call.

Any statements made during this call relative to management's expectations, estimates or beliefs or otherwise state management's or the Company's outlook, plans or projections are forward-looking statements and actual results may differ materially from those made in such statements. Additional information and the factors that could cause our results to differ materially from those in the forward-looking statements are contained in our SEC filings.

With that said, I will now turn the call over to Nick Pinchuk. Nick?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Thanks, Leslie. Good morning everybody. As usual, I will start today's call with highlights of the quarter's results. I will provide my perspective on the operations and on our various markets around the world; then Aldo will cover the financials in more detail.

The results in the quarter were encouraging again. EPS was $1.26 and an organic sales increase of 4.6% from last year. Performance from our operating company, or our OpCo as we call it, was strong with 13.5% operating margin. And, as expected, Financial Services also had expanded profitability, growing its on-book portfolio. FinCo OI of $27.9 million was up from the $20.8 million of last year. And I believe that all of these are encouraging absolutes.

As we highlighted in our release there is a year-over-year comparison impact that results from the substantial movements in our share price in the third quarters of both last year and in this year. As a result of the related mark-to-market effects, this year there was an unfavorable $4.4 million adjustment. Last year's third quarter included a favorable $7.8 million mark-to-market adjustment. Absent this $12.2 million unfavorable swing, our OpCo operating margin in the quarter increased 170 basis points from 2011 levels, an encouraging apples-to-apples rise.

Now the sales increase in the quarter came against clear headwinds. Those gains generally represent a continuation of the same progress we have been registering over the past few periods. We are not really seeing much change in the overall market dynamics. Europe, for sure, remains tough. It is our most significant challenge, and it has been for some time. And we also have other headwinds. I will speak about those in a moment in the segment discussion.

But you know, when you operate in diverse geographies and markets there'll always be some challenges. Our strengths, though, are more than overcoming those headwinds with a clear focus on the four areas we have identified as being decisive for our future -- building in emerging markets, extending into critical industries, enhancing the franchise network, and expanding our presence in the repair garage. We are making progress in each of those areas, and you can see it in the results.

Along with the growth, you are also seeing improved performance that is being offered by what we call the Snap-on Value Creation processes. We drive them every day -- safety, quality, customer connection, Rapid Continuous Improvement or RCI, and innovation. These disciplines of improvement are a powerful set of tools; they are enabling our progress.

And I do just want to touch a little deeper on two of the most important components of Snap-on Value Creation -- innovation and customer connection. Snap-on was founded on innovation more than 90 years ago, and we have continued and expanded on that tradition through the decades.

It is evident in our brands. Of course, in the Snap-on name, the symbol of pride for professionals, but it also extends to brands like BAHCO, the first in the world to offer adjustable wrenches, and in our John Bean brand, a legacy rooted in the first wheel aligner.

And that innovation is enabled by the significant advantage we have in customer connection. With 4,800 franchisees around the world and the hundreds in our direct sales force, we reach into 600,000 repair shops in the US and Europe and into countless workplaces of other types. And with that presence we observe work and make it easier.

You can see that innovation and customer connection coming together in the Wisconsin lab that we call Innovation Works. We use that facility to bring technicians in. Our engineers and designers watch them work, get them engaged, and we develop new products to make them more productive. It is an active place. It has more than 12,000 visitors in the last -- in 2.5 years since it has been open. And it is a great demonstration of customer connection and innovation in action, and it is driving results.

You can see innovation supported by customer connection in our new offerings. Just recently we launched several new products in our power tools line like the extension of our successful CTS family of compact tools with more power than ever before -- new impacts and new drills.

And also our pneumatic ratchet -- our new pneumatic ratchet -- the longest available for greater accessibility and the fastest for increased productivity. These were big contributors in the quarter.

Innovation and customer connection also play out in the recognition that our products receive. Snap-on was just awarded three top 20 tool awards by MOTOR Magazine for 2012. Almost at the same time Professional Tool & Equipment News recognized an additional two Snap-on products citing them for extraordinary innovation.

We believe that these awards clearly demonstrate the success we are having in using our unique customer connection and turning those ideas into successful new innovative products, and as our result show, this does drive sales.

Now let's have some discussion about the segments. In the Commercial & Industrial Group, or C&I, organic sales in the quarter were up 4% from last year's level, and the operating margin of 11.9% was up a strong 130 basis points.

The story here is much the same as the second quarter. Europe, being the biggest macro headwind, had a significant impact on C&I by way of our European hand tool business, SNA Europe. That business was down mid-single-digits in the quarter with particular weakness in the South in places like Spain, which is a big market for us.

Outside of that operation our progress in serving customers in critical industries and in the emerging markets of Asia, along with a particular strength in power tools as a result of those new products, were able to more than offset the SNA Europe impact.

Speaking of Asia-Pacific, we saw encouraging growth there again -- in the third quarter high-single-digits overall. We often speak of India and China, but in this quarter Indonesia and Thailand deserves special mention. They performed quite well, contributing to the overall results.

With respect to products, our under-car equipment and hand tool lineups lead the growth in our Asian market. And as I said in our last call, but it is worth repeating -- I said it in our last call, but it is worth repeating, under-car equipment is an important, high-visibility, high-value product line. It allows us to clearly showcase our advantage -- our advantages and innovation. That is a feature of great importance in growing our position in Asia-Pacific, and it is working for us.

Critical industries are already largely served -- are also largely served in the C&I Group through our Industrial Division. And that operation has headwinds of its own, areas of restricted government spending like the military, which is weak due to troop withdrawals and the overall funding constraints. On the other hand, gains in serving customers in the critical aerospace and the natural resources sectors more than offset that military challenge. Actually, the overall industrial growth was one of the key factors in C&I posting reasonable gain in spite of European and military headwinds.

Let us move to the Tools Group -- double-digit gains again, up 11.1% from last year with an operating margin of 13%. I believe that kind of growth in the current environment merely reflects the strength of our franchise network. It is evident in the detailed statistics we called franchisee health metrics. We monitor them closely. And I will tell you that franchisee sales and profits are up; route turnover is low and so are the delinquency rates at Snap-on Credit.

And the strength and the enthusiasm in the network could be seen in the quarter when we held our annual franchisee conference -- record attendance and orders. That event serves many purposes. It is part training session, part new product and tool shows and part pep rally.

It is a reunion of professionals where we get a good feeling for the business at the grassroots level. And the discussions I had with franchisees were very positive -- positive both on the current conditions and positive on their prospects for their future.

An important part of our progress is that we are working closely, more closely than ever, with our franchisees to improve their business. Consider that four of those five awards from MOTOR Magazine and Professional Tool & Equipment News enabled the Tools Group.

Many of our new power tools were developed specifically for automotive technicians. We have the traveling tool fair we call the Master of Metals Tour, which I spoke of last quarter. And we are expanding our fleet of new Rock 'n Roll Cabs specifically -- especially, especially outfitted trucks filled with tool storage units aimed at driving those big-ticket sales.

That effort helped drive increases for tool storage at rates well beyond the overall Tools Group's growth. And those sales are also aided by our wholly-owned credit company. Snap-on Credit focuses precisely on supporting those big-ticket transactions, and it is a real advantage for us and for our franchisees.

We also have teams of people working to improve franchisees' productivity, finding ways to make their business easier, stronger and more profitable. All of these initiatives are coming together and it is clear that they are achieving ongoing gains.

Now to Repair Systems & Information Group, RS&I. This is where we primarily serve automotive repair shop owners and managers. Organic sales in RS&I were up 2.7%, and the operating margin of 22.3% expanded by 270 basis points. The relatively modest overall growth rate, I think, requires some explanation, because the market dynamics across the different businesses vary quite a bit. Our strength in expanding our presence in the independent repair shops is clear, but it is being muted somewhat by lower activity with the OEMs and by the impact of Europe.

We do continue to see solid gains -- high-single-digits in repair information and diagnostics units for the independent shops, technicians -- independent shop technicians, owners and managers. And we appear to be gaining position driven by new products like Mitchell 1's ProDemand repair information software, and also with an array of popular handheld diagnostic units.

In fact, our SOLUS Ultra, a groundbreaking diagnostic unit, is one of the products that was just recognized by MOTOR Magazine. And we are keeping that momentum expanding and going. At this year's franchisee conference we also launched the VERUS PRO, setting a new industry standard for top-of-the-line units, enhanced diagnostics capabilities, faster performance and a thinner design, and the reception has been strong.

On the other hand, we continue to see lower activity with the automotive OEMs, especially in Europe. Last year we had some fairly large European programs that are now winding down. That is the nature of that business. And we believe the overall negative macroeconomics in Europe are creating reluctance by the OEMs to launch new programs, making for some weakness in this already uneven segment.

Speaking of Europe, our RS&I does have a sizable presence in that region with under-car equipment. Now the past several quarters I have mentioned the business being down in the mature markets of Western Europe. No surprise, given the troubled environment. And while that area was down again mid-single-digits, our overall under-car business was up from last year's level, based on the growth in North America, in Russia and in Brazil.

So the overall comparisons in the under-car business was somewhat better than the past few quarters. And that has also been aided by new offerings. In fact, our John Bean Integrity Test Drive system was another one of the products recognized by the MOTOR top 20. This is a unique system, and it highlights several of our capabilities from diagnostics to alignment that we brought together in the RS&I Group.

The Integrity performs a complete vehicle inspection in just minutes. It checks alignment, the battery, the brakes and the diagnostics code, and it generates a condition report that helps greatly in communicating with the customer right in the shop. We are excited about this product, and it is winning awards and it is certainly does make the technician's work easier.

Well, those are the highlights of the quarter -- organic sales gain of 4.6%, in our range of expected growth; OpCo margin increase of 170 basis points after adjusting for the impact of mark-to-market; FinCo continuing its profit increase; and clear evidence of progress along our strategic runways for improvement and for growth. All in all, another encouraging quarter.

Now I will turn the call over to Aldo.

Aldo Pagliari - *Snap-on Incorporated - SVP Finance, CFO*

Thanks, Nick. Our third-quarter consolidated operating results are summarized on slide 6. Net sales totaled $711.6 million, representing an organic sales increase of 4.6%. This increase included positive organic growth in each of our operating segments. Consolidated gross profit of $340.4 million increased $11.1 million from 2011 levels, and gross margin of 47.8% improved 60 basis points from 47.2% last year, largely due to savings from RCI initiatives, including benefits from restructuring. Operating expenses of $244.2 million were up $9.2 million from last year.

As a result of the increase in the quarter-end Snap-on stock price, operating expenses in the third quarter included an unfavorable $4.4 million of stock-based mark-to-market expense. Last year you may recall operating expenses in the third quarter were partially offset by $7.8 million of benefit from mark-to-market as a result of a decrease in the Q3 2011 quarter-end stock price.

The operating expense margin of 34.3% in the quarter increased 60 basis points from 2011 levels, as favorable sales volume leverage was more than offset by the $12.2 million or 170 basis points of higher mark-to-market expense.

Restructuring costs totaled $2.3 million in the quarter compared to $2.9 million last year. Operating earnings before Financial Services of $96.2 million increased $1.9 million year-over-year, despite the $12.2 million of higher mark-to-market expense.

As a percentage of sales, operating margin of 13.5%, including the adverse 170 basis point impact from higher mark-to-market expense, was unchanged from last year. Operating earnings from Financial Services of $27.9 million increase $7.1 million or 34.1% over prior-year levels.

Consolidated operating earnings of $124.1 million in the quarter increased $9 million over last year's levels, and the operating margin of 16.5% improved 70 basis points from 15.8% a year ago.

Finally, third-quarter net earnings of $74.1 million or $1.26 per diluted share compared to $67.8 million or $1.16 last year.

Now let's turn to our segment results. Starting with the Commercial & Industrial or C&I Group on slide 7, third-quarter sales of $280.4 million were up 4% organically from 2011 levels. This growth resulted primarily from mid- to high-single-digit sales increases in the businesses serving customers in critical industries and in the emerging markets of Asia, coupled with a double-digit increase in sales of power tools.

These increases were partially offset by a mid-single-digit decline in our European-based hand tool business as a result of continued market weakness, particularly in Southern Europe. Gross profit totaled $103.7 million with gross margin of 37% improving 10 basis points from last year.

Operating expenses of $70.3 million decreased $2.9 million from 2011 levels. And the operating expense margin of 25.1% improved 120 basis points from 2011 levels, primarily due to benefits from sales volume leverage and RCI initiatives.

As a result of these factors, third-quarter operating earnings of $33.4 million for the C&I segment increased 12.8% from 2011 levels, and the operating margin of 11.9% improved 130 basis points from 10.6% last year.

Turning now to slide 8. Third-quarter sales in the Snap-on Tools Group of $308.8 million increased 11.1% organically, reflecting double-digit sales increases in both the Company's US and international franchise operations.

Gross profit of $131.3 million increased $6.1 million from 2011 levels. Gross margin of 42.5% in the quarter declined 230 basis points from 44.8% last year, primarily due to increased promotional programs associated with sales gains, including expanded participation at this year's annual Snap-on franchisee conference.

Operating expenses totaled $91.1 million. And the operating expense margin of 29.5% in the quarter improved 260 basis points from 32.1% last year, largely due to sales volume leverage.

Operating earnings of $40.2 million in the quarter for Snap-on Tools Group increased $4.6 million or 12.9% from last year's levels, and the operating margin of 13% increased 30 basis points from 12.7% last year.

Turning to the Repair Systems & Information, or RS&I group, shown on slide 9, third-quarter sales of $222 million increased 2.7% organically, primarily due to a high-single-digit increase in sales of diagnostics, and Mitchell 1 repair information products, and a mid-single-digit increase in worldwide sales of equipment. These increases were partially offset by a mid-single-digit decline in sales to OEM dealerships, particularly in Europe.

Gross profit totaled $105.4 million, with gross margin of 47.5%, increasing 200 basis points from 45.5% last year. This improvement is primarily due to savings from ongoing RCI initiatives, as well as a more favorable sales mix that included higher sales of diagnostics and repair information products.

Operating expenses totaled $55.9 million, with the operating expense margin improving 70 basis points to 25.2%, reflecting sales volume leverage and contributions from RCI.

Third-quarter operating earnings of $49.5 million for the RS&I Group increased $5.8 million or 13.3%, and the operating margin improved 270 basis points year-over-year to 22.3%.

Now turning to slide 10. Third-quarter earnings from Financial Services increased $7.1 million, primarily due to the growth of the on-book finance portfolio. Originations of $179.6 million in the quarter rose 17.7%, reflecting both higher sales in our Snap-on Tools segment and increased participation in our credit programs.

Moving to slide 11. Our quarter-end balance sheet includes $1.06 billion of gross financing receivables, including $893 million from our US Snap-on Credit operation and $169 million from our international finance subsidiaries. In the US $714 million or 80% of the financing portfolio relates to extended credit loans to technicians.

Since the beginning of 2012 our on-book financing portfolio has grown approximately $128 million. Approximately $108 million of the expanded portfolio relates to the US, while $20 million is associated with our international finance subsidiaries, including $6 million of positive currency effect. For the remainder of the year we anticipate that the worldwide finance portfolio will grow by an additional $20 million.

Regarding finance portfolio losses and delinquency trends these continue to be in-line with our expectations.

Now turning to slide 12. Third-quarter cash provided by operations of $69.7 million in 2012 increased $27.7 million from prior-year levels, and includes the effect of $16 million of additional third-quarter discretionary cash contributions to our US pension plans.

This contribution is in addition to $26.7 million of discretionary contributions made earlier this year. Depending on market and other conditions, we may elect to make additional discretionary cash contributions to our US pension plans.

Capital expenditures totaled $19.7 million in the quarter and $59.5 million year-to-date. We anticipate full-year capital expenditures will be in the range of $75 million to $80 million, including the construction of a fourth factory at our Kunshan, China location, which is expected to be completed by year-end.

As seen on slide 13, days sales outstanding for trade receivables of 59 days compared to 58 days as of 2011 year-end. Inventories increased $31 million from 2011 year-end levels, primarily to support continued higher demand largely in the United States. On a trailing 12 month basis inventory turns of 3.8 times compare to 4.2 times at 2011 year-end.

Our quarter-end cash position of $176 million decreased $9.5 million from year-end levels, primarily due to the continued year-to-date funding of new loans originated by Snap-on Credit, US pension contributions of $61 million, share repurchases of $61.8 million, capital expenditures of $59.5 million, and dividend payments of $59.4 million.

These year-to-date uses of cash were largely offset by cash generated from operations. Our net debt to cap ratio of 31.9% compares to 34.3% at 2011 year-end.

In addition to our $176 million of cash, and expected cash flow from operations, we have more than $700 million in available credit facilities, and our current short-term credit ratings allow us to access the commercial paper markets should we choose to do so. As of quarter-end no amounts were outstanding under any of these facilities.

This concludes my remarks on our third-quarter performance. I will now turn the call back over to Nick for his closing thoughts. Nick?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Thanks, Aldo. Well, that is Snap-on's third quarter. Clear progress along our runways for growth and for improvement, overcoming the turbulence of Europe and the general economic uncertainty.

Snap-on Value Creation is driving improvement. Our innovation and customer connection processes are combining to create product excitement and real customer value, and when combined with RCI they enable progress. Adjusted for mark-to-market OpCo OI margin rose significantly.

And we are moving forward along our runways for growth recording solid organic gains. Those results confirm that our efforts are paying off in each of the four areas we have identified as a decisive for our future.

Consider the quarter's performance -- building in emerging markets. We had strong gains in places like Thailand, Indonesia and Russia.

Extending into critical industries, we saw significant growth in sectors like aerospace and natural resources, overcoming the challenges in the military and offsetting the weaknesses of Europe.

Expanding in the repair garage, diagnostics and repair information up strongly in independent garages, more than balancing the unevenness in activity with the OEMs.

And under-car equipment sales in Russia and in Brazil and in North America overcoming the ongoing challenges due to the European macros. Enhancing the franchise network, double-digit gains in the US for the ninth straight quarter.

An enthusiastic network that showed up in greater numbers than ever before at our annual franchise conference, celebrating their success while training to further improve their businesses. That is thousands of small business owners, energetic, invested and optimistic. Optimistic about their place on the Snap-on runway for growth.

Now, there are challenges. But just like past periods, Snap-on's progress in the areas of opportunity have overcome the difficulties and achieved a favorable balance, and because of that we are encouraged and clearly confident, encouraged by the ongoing results and confident of our possibilities for growth and improvement as we move forward.

Before I close, I want to recognize our associates and franchisees. Many of you, I know, are listening. I know the third-quarter results and the favorable trends reflect your effort, your capability and your commitment to our team. For all of that, you have my congratulations and you have my thanks.

Now I will turn the call over to the operator for questions. Operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). David Leiker, Baird.

David Leiker - *Robert W. Baird - Analyst*

I wanted to start on the Snap-on Tools business, in particular international. You have got a great track record under your belts here in the US with the performance there. That double-digit gain in international breaks a trend there of low-single-digits for a long time. Can you talk about what specifically on the international side has changed that and whether that is something that is sustainable going forward?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

We think it is -- well, I don't know, double-digits, I -- even though we have had a run of double-digits, David, I think I have been pretty consistent on these calls to say I'm not sure that kind of, I would say, stratospheric growth can continue, but I think the strength in those places are pretty solid.

The UK has improved substantially in the last, I would say over the last couple of quarters, and that is driving this. We have made great strides forward in terms of improving our product line and our relationship -- productivity with our franchisees there. Australia has been contributing quite well. And Canada has been very strong.

We have actually spent a lot of time and a lot of focus maybe off-camera a little bit focusing on those areas. And what you are seeing is the result of that focus doing the same kinds of things adjusted for the -- that we did in the United States adjusted for the local market. So it is a sum of Canada, UK and Australia all doing better.

David Leiker - *Robert W. Baird - Analyst*

Okay. And then on the US --.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

I think it is sustainable. What?

David Leiker - *Robert W. Baird - Analyst*

Go ahead.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Go ahead. No, go ahead.

David Leiker - *Robert W. Baird - Analyst*

On the US side in terms of the sustainability, the track record you have put there, could you characterize at all -- obviously, marketshare is a piece of that, but between marketshare, kind of deeper market penetration, areas you haven't been, the product offering, can you put those in a bucket so the contribution to that great performance in the US at all?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

I don't think I can, actually. But there clearly are two elements of it. One is we are, because of our new ways of marketing, able to sell more to the same customers. I think the idea of the traveling -- the idea of the Rock 'n Roll Express -- Rock 'n Roll Cab Express -- and I think we are at the end of the quarter at 28. We are going to go upwards almost -- we are going to expand that quite a bit going forward and because they have been so successful.

So that is clearly a kind of wrinkle on the van business and allowing us to sell more to pretty much our existing customers. Then on top of that, as I have said often, we are calling on more customers because our vans are becoming more productive and our product line is becoming wider and appealing to them.

I can't put those into buckets. And I hate to talk marketshare, because it is a very imprecise exercise when you're talking about tools and you start to have such a wide universe of possible products, it is very difficult to describe.

I do think, though, we are making great gains in the Tools Group now. It is clear, after nine quarters of double-digits the Tools Group team has got this business, which is one of the world's great businesses, I think, that team has got this business resonating. You can see it.

David Leiker - *Robert W. Baird - Analyst*

But with the Rock 'n Roll Cab Express, do you think you're getting folks to buy more product than they normally do buy or are they buying it at Snap-on instead of at Sears or Lowe's?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

I think there's both of those things. I think we think they are buying it from us as opposed to possibly other places, but there are both of those things.

David, as you know, it is like a new car purchase. All of a sudden we now have showrooms in the field as opposed to catalogs. And, so, that is generally it. You were buying the thing -- they were buying the thing from -- more or less from a catalog and now they have showrooms. And you can think about how that excites people, and it wins customers and it also accelerates the buy from some people.

I think that some people probably are buying tool boxes. The OEM Snap-on tool boxes, they see a new a one, they say -- boy, I can't live without that one. I'm going to have it. And then the other people, who are competitors, and they see what the quality offerings we have -- and we believe we have some really great offerings that are superior to the competitors based on innovation -- and they're coming over to our side. But I can't tell you how much, which is which.

David Leiker - *Robert W. Baird - Analyst*

Well, great. Keep it up, all right?

Operator

David MacGregor, Longbow Research.

David MacGregor - *Longbow Research - Analyst*

Nice quarter. Just while we are on the topic of storage, that organic growth of 11.1%, how much of that was storage?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Well, I don't like to talk about that, but I -- you know, to give those numbers, but -- in that detail. But I will tell you that the tool storage product line grew substantially higher than the 11% of the US business or the overall tools business, if it gives you any view.

David MacGregor - *Longbow Research - Analyst*

And is there any way for us to think about that? You talked about 28 showrooms, I guess we can call them, and you're going to grow that. At what rate does that grow, and how does the productivity from that grow?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

I don't know. I mean, that would be too precise for -- I am not smart enough to say that, I think. I think it is like this. I believe that every one we add gets more sales, at least as far as we can see now. That is why we are doing this. That is why we are doing it. But we will keep doing it until we see diminishing returns, I believe. So far we haven't seen in a way of diminishing returns.

David MacGregor - *Longbow Research - Analyst*

Okay, well, that makes sense. Well, congratulations on the success of that program. You talked on the C&I business about pricing being up mid- to high- single-digits. And I was just wondering -- my guess is probably not a lot of that was in Europe, although maybe I'm wrong. But can you just help us understand how that experience might have played out over critical industries versus emerging markets?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Say that again. You mean in the --.

David MacGregor - *Longbow Research - Analyst*

You talked about pricing, and the pricing on the C&I you said was up mid- to high-single-digits. I am just wondering across those three businesses -- my guess is there is not a lot in Europe, but maybe I'm wrong on that. But can you talk about pricing, critical industries versus emerging markets?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Oh, sales were up. Sales were up mid-single-digits. That is a component of our emerging market growth. Emerging markets are now about 10% of our business, and critical industries are a significant piece of that.

I would say that -- let me see if I can help in this way. The C&I Group grew at about 4%. The emerging markets, which is about 10% of our total business, which is mostly in C&I, grew close to double-digits.

David MacGregor - *Longbow Research - Analyst*

Okay, maybe I can follow up with you off-line on that. Then in the RS&I business, you said there was a high-single-digit increase in the diagnostics and Mitchell 1 business. I know you have got a lot of innovation and new product in that business right now. Was there anything there last quarter or is this all just sort of emerging growth here this quarter?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Actually last -- for government work the RS&I business looks sort of the same as last quarter in mix. Mitchell 1, the Repair Systems & Information business was up right close to double-digits. In fact, I think it was just over the double-digit boundary. And that is the repair information business driven by what I call ProDemand repair information software, that new -- it is a new offering which has more information, and the navigation is much simpler than anybody else's anymore.

So it is a very attractive offering, combining state-of-the-art navigation with the best database available. And people are lining up to subscribe to that. So that business has been growing pretty well. And the diagnostic business -- and that happen last quarter too -- it happened last quarter.

David MacGregor - *Longbow Research - Analyst*

Nick, does it accelerate into the fourth quarter?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Accelerate, I don't know. But I think we feel encouraged by our prospects there. I think we feel positive about our position looking at independent garages.

The diagnostics business, I was going to say, the handheld, the software -- the hardware and software business -- the laptops for cars grew at mid- or high-single-digits. And those have been the same for a couple of quarters, give or take a few basis. So I don't know, we don't really give guidance, but we feel good about our position.

David MacGregor - *Longbow Research - Analyst*

That sounds great. And the last question, just on the tools business, aside from the storage business I was just wondering if you could talk about trends in big-ticket sales off the truck?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

It looks okay. I think it looks okay. That is one of the things we always watch. So I suppose the operative question is this, is that are you seeing a downturn in big-ticket, which would precusor maybe a cooling off of everything?

David MacGregor - *Longbow Research - Analyst*

Right.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

And, you know, I don't think we do. Now you might say, well, do you have visibility, because you have got this new marketing program, and are you able to pierce the veil of the marketing program and see what is actually happening in what I will call a -- just a free demand type activity in the marketplace? And I think we can, and I don't think we see a downturn.

David MacGregor - *Longbow Research - Analyst*

Good to hear. Thanks, Nick.

Operator

Mike Wherley, Janney Capital Markets.

Mike Wherley - *Janney Capital Markets - Analyst*

Obviously, the Tools Group has been very strong for many quarters now, and I'm just wondering when you're looking forward one quarter, two quarters, three quarters, when do you feel like there might be some tough comps that are going to be difficult for your business to keep the growth going? Not that it is going to grow double-digits, but might it flattened out altogether if you run into tough comps?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Well, look, I think that we have said in many forums that we expect to grow as a corporation 4% to 6% organically. I didn't mean by that that we would do it every quarter, although we have been able to do it most quarters -- I think probably almost all quarters. But we feel confident of our ability to keep growing at that rate.

I'm not saying we will do it every quarter, that is not what I mean. But I mean if you're talking about the trend, we feel okay about that. Yes, the comps get tougher, but they got tougher last year and the year before that and the year before that, so I don't think we are so worried about that. Now, it is a challenge, but we are not wringing our hands over it.

Mike Wherley - *Janney Capital Markets - Analyst*

Okay. What about the -- just sort of thinking about this way, just to be a devil's advocate, if you're talking about selling more to the same customers, and you are talking about this Rock 'n Roll Cab Express that is selling big-ticket items that maybe some of these customers wouldn't have bought if this Cab Express didn't roll into their garage, I am wondering at what point does selling more to the same people lead to a smaller wallet in the future?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Well, I don't think it leads to a smaller wallet, but it might lead to people who have used up their capacity -- you might say it has led to people to use up their capacity to buy. I don't think we have seen the bottom of that yet. I don't think we believe we have seen the bottom of that yet, but it is a reasonable point as you lay out over distance.

But what you have here is a couple of things. First is underlying this business repair is a good, solid business. Every quarter -- every quarter for a number of quarters the household spending on automotive repair has been up, so the underlying demand is good. By the way, that is in independent shops. And so our core customer is growing and getting more business; that is number one.

Number two is the cars keep changing; we keep changing the products. They can see ways to -- I was just out on a van on Monday -- I was out on a van on Monday, and you can see these guys talk to you, they say -- gee, could you get me -- it is like customer connection, you go there and they say -- I need a special tool to help me pull this engine so I can do some work on it because this particular vehicle has some particular geometry, and if I do that I can make more money.

So part of the key here is every time they pay, every time they give us money, they make more money. So the more they spend with us, the better they -- the more money they make. So there is a kind of offset to the idea of the wallet reaches an end. That is one.

And now there is some attenuation but, two, we have said that we got -- we have said that there are customers out there that we don't call on. Maybe they were Maaco customers for a time, maybe they were [Mag] customers. Maybe they were geographically undesirable. Maybe they were in places that weren't target rich, and because we have more productivity and a wider product line we are going to them, and that is going on here too.

So I am optimistic about the Tools Group's possibilities. Now, I am not here to sign-up for continuous double-digit growth though in the Tools Group. I think I have said, I am signing up for 4% to 6% for the total Corporation over time. We feel confident about this.

Mike Wherley - *Janney Capital Markets - Analyst*

But do you think the Tools Group can sustain something higher than what you have said? Can it sustain 5% to 6% on its own or still --?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

They are starting to make me look dumb, aren't they? But I still say -- I still say I like our other businesses. I like the opportunities of C&I to grow at the high end of that. I like RS&I. We are seeing a particular time when they are muted by Europe. 33% of C&I is in Europe; 17% of it is in Southern Europe, right, and they are still growing at 4%. 25% of RS&I is in Europe. And we got the OEMs kind of nervous, and so we got this lumpy business. So I see the opportunities of those businesses to grow.

Mike Wherley - *Janney Capital Markets - Analyst*

Okay, thanks very much.

Operator

Richard Hilgert, Morningstar.

Richard Hilgert - *Morningstar - Analyst*

A couple of questions here on my end. In the European market, obviously, the UK, new car sales are doing pretty well there. I would imagine that they are not experiencing some of the economic issues that the mainland Europe is experiencing. Aftermarket probably isn't doing quite as bad there either. So I was wondering if you could compare and contrast between the two.

And also, in Europe it seems to me like the European downturn is harsh enough that we are going to see consumers postponing aftermarket repairs for quite some time. And I'm wondering if you could talk a little bit about the correlation between when we start -- when should we start to see the aftermarket coming back when people would start making repairs again versus when you see new car sales start to improve coming out of an economic trough?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

It is tough, but I will say this, for my money -- for my money, there is no correlation between new car sales and our business. We don't see that really. I think to the extent that new car -- I suppose you could say that to the extent new car sales go down, we may see a slight burst. But generally the thing is in the UK, as in the United States, what are new car sales in the United States? This year they are forecasted at 15.2 or something like that. Well there is -- North America, rather.

There are 300 million vehicles on the road. So new car sales are kind of like a blip in the after -- I think driving our aftermarket business anyway. So we don't really see it that way. It is true though -- you are right, though, that the UK is a stronger market. We found it to be uniformly for all our businesses, and this is businesses both in automotive repair and critical industries, to be a better market for us then the rest -- than the Continent, for sure.

And so we -- we are kind of cautiously positive about that view. I don't know if that continues or not. I think part of it is that people in the UK -- I think people don't necessarily postpone repair, I think they postpone new purchases. So I don't know really see a downturn in repair there so much.

Now, remember, in Europe our businesses are broader based in the United States, so we have less of the business in automotive repair and more in industrial and other places like agriculture. So we are more broadly based in terms of vertical industries in Europe, so you have got to take that into account.

Now if you say the rest of Europe and when is it going to recover and when are people going to start spending again? I give you two thoughts. I think the South -- in fact, I will just say traditional Europe -- Western Europe -- I'm not making any predictions. On one of these calls I said once that Spain, I thought, had hit the bottom. Well, that was wrong, and that was like two years ago.

So I don't think -- I don't think anybody can actually predict this. All we can say for sure is our base customer base -- our base customer base seems to be intact, so we believe it comes back.

Now if you talk about the periphery of Europe -- if you're talking about Eastern Europe, you're talking about Turkey, you talk about the Maghreb countries, those businesses by and large -- you know, they have their ups and downs in every quarter, by and large they have been pretty good for us.

I don't know if that helps you any. But I guess in summary I think the UK is okay, is reasonable. I think nobody knows what is going to happen in Continental Europe, and I think the peripheries are pretty good.

Richard Hilgert - *Morningstar - Analyst*

Okay, great. Just the follow-on to an earlier question about the same size wallet putting out more for additional tools, it seems to be me like part of that that you have to figure into that equation is the advancement of technology over time.

For example, Nissan is talking about launching within the next year drive-by-wire in its Infiniti brand. This is going to be the first mass-produced use of this technology, and that means that the tools and the diagnostics and things that are going to be needed to work on that kind of thing in the garage are going to have to change, and you're going to have to come out with new tools.

So it seems to me like the kudos that you're getting from the industry magazines all the time and industry studies being done, and the drive from the innovation that you do is part of getting that additional amount for the same set of garages that you are already in.

You mentioned, also, earlier in the call how you have that -- the research that you do there in Wisconsin where you're bringing in people and you are observing them working on vehicles. Do you do that kind of thing, and is the innovation as strong over in the European market, because, obviously, you've got a different product set over there that you have to deal with versus what is here in the States?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Yes, we do it in Europe in places. But the landscape in Europe, for example, our share of automotive repair is much larger in the UK than it is say Germany or say Sweden. So we do it -- if you're talking about the garage and the observation of the garage, in the UK that model is pretty good. We don't have a center and just -- like we do here.

But let me offer this is that the big customer connection flow -- the information flow is not really in Innovation Works. Innovation Works is where we brought observation together with product design closer than ever before.

But the by and large, the blocking and tackling of innovation and customer connection is every day when the franchisees and our salesmen go into garages and factories and repair facilities and see how things are working. That is how it happens, more than just having it here.

And we have that intake. Now what you said about innovation and change, this is our bread and butter, because if you think about it, just think about it in hand tools, we guarantee hand tools for life. So if we didn't have -- if there weren't requirements or different requirements we wouldn't have a business. So for nine decades we have been staying -- we've been having a business based on just the very kind of innovation you describe. Nissan changes their cars, we got the best tools.

THOMSON REUTERS

Richard Hilgert - *Morningstar - Analyst*

Yes. Great, okay. The last area I wanted to talk a little bit about was credit. And I was wondering if, first of all, if you could give a little bit more details on the increase in delinquencies? Is that Europe and because of the economic conditions over there or something else causing that?

And I was also curious is how do you handle the differences between -- you know, credit is a very legislated industry, and you have got some major differences now between the US and Europe, and how do you look at the policies for the two? How are they distinguished?

And in the US with the Consumer Protection Agency now getting really ramped up into more full activity, is there anything coming along there on the credit side that you're going to have to look at when it comes in terms of your policies for setting credit out in the field?

Aldo Pagliari - *Snap-on Incorporated - SVP Finance, CFO*

Okay, Richard, Aldo here. Let me just jump in and take it. I will take the easier one of your questions first, and that is -- let's talk about delinquencies. Actually, the delinquency trends have a seasonal element to them. And they're tracking right where we expect them to be, and in a favorable manner. They will tend to run up slightly up until after the Christmas holidays, and when people start getting their tax refunds back in March -- I am not making this up -- you will see that we usually get trend that starts to go in the other direction.

So the trend, if you look back over the prior years, it is fairly consistent with our expectations. So if you go back to the quarter Q3 of last year there were exactly 1.4% as well, so that is a good point.

Your questions regarding compliance, sure, watching compliance is a complicated area and we keep our eyes open. But I want to remind you, we are commercial lenders and we strive to be interpreted as such under whether they be state regulations, US government regulations are the same in other fields of -- other country operations.

And, again, there is always new compliance rules and regulations on the horizon. We do our best to stay abreast of that and we feel we do a good job of complying with that. Should we add some incremental expenses to deal with that, we pay that as we go. So we feel pretty comfortable that, yes, it is an area that will continue to see more regulation and we are prepared to deal with it accordingly as it comes up.

Richard Hilgert - *Morningstar - Analyst*

Okay, very good. Thanks guys.

Operator

Alek Gasiel, Barrington Research.

Alek Gasiel - *Barrington Research - Analyst*

Congrats on the quarter. Just a couple of things. I am sitting in for Gary. But getting back to the whole promotional thing in the Tool Group, are you able to actually substitute that for the under-penetration -- for areas that the van are under-penetrated in, or is that something you can do?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

No, that is not really -- I don't think that really is how it happens. One of the things, we did have more promotions in the quarter in the Tools Group. But one of the things that -- one base knowledge that is useful I think in this is every month, every week in fact, we have promotions throughout the Tools Group. It is part and parcel of the activity there. It is kind of an excitement builder that rolls through.

And so fundamentally what happened in the Tools Group is basically we were active in promotions in the quarter. Some of that had to do with the SFC, the franchisee conference, where it is the most exciting promotions are sometimes there. We had more people at the franchisee conference than ever before. The take-up rate was high on the promotions we offered there, and so that tended to drive some of that increase. That is really it.

Those weren't aimed at reaching out to other new technicians or anything like that. The reaching out is more a productivity issue, actually.

Alek Gasiel - *Barrington Research - Analyst*

Okay. Are you seeing an increase of people wanting to sign up to be franchisees now?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

I think we are, but we are being very selective. We are not looking to increase franchise. I mean, you will see the odd franchisee. I think we've probably went up one or two vans this quarter, and so that happens. We are being very selective and we are happy with the people we are getting. What we are trying to do is make sure -- try to make sure we can anticipate who wants to retire, and match up a person in that jurisdiction at that time. That is really the trick now, is to reduce the time to open.

We eventually get a guy, but we want to reduce the time. And so you can appreciate, if somebody wants to -- if the franchisee in Tuscaloosa, Alabama wants to retire, you got to have a guy in Tuscaloosa; a guy in Des Moines doesn't help you, and so we're working on that now.

Alek Gasiel - *Barrington Research - Analyst*

Okay. And you commented about the muted OEM dealers particularly in Europe. I wonder if you can provide any color on North America, what you're seeing there.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

What I meant by that, if I said OEM dealers, I didn't mean that, I meant OEM manufacturers. What happens is that in that particular business the OEM manufacturers decide to commission an essential tool, often like a special diagnostic unit, a laptop for cars. Say Toyota might do it or Honda or somebody like that that might say -- make this diagnostic unit for my -- just my vehicle, and distribute it through my dealerships. And they will have programs that they offer, and the program might last eight months, nine months, a year or something like that where they say they're going to roll these out. And then once it is rolled out it is over. And then you wait -- you have to get another program to continue the business.

And we have a series of programs. All we were saying was is that the programs in Europe are running out, and the European OEMs, we believe, are a little bit keeping their powder dry looking at the economics. Even though new car sales are not so down in Europe, I think they are down about 8%, but still I think they're being very careful. And so that is what we are seeing in Europe.

In the United States, we are seeing less of that, but it is down slightly -- down slightly. And I think that is partially because new car sales aren't bad, but the economic uncertainty, the fiscal uncertainty is dominating whether you want to invest in a long-term program like that.

Alek Gasiel - *Barrington Research - Analyst*

Okay. And then you keep reading about the headline risk and the softness reporting in China. Does that have any impact on you?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Well, it can, you know, from time to time. I mean, we sell into factories; factories are closing down, and we sell some into factories. It can from time to time, but we have some offsets to that. We sell into repair and the repair business moves up. So I think our direct linkage to that is unclear and kind of nebulous.

If GDP was down -- I think it was 7.8% -- but if you looked at power consumption in China the industrial business was -- the industrial consumption of power was down, but the consumer consumption was up. So that says that, well, the industrial sector is weakening, but the consumers are rolling up. And in that balance I'm not sure how that would affect us really. But the big thing is China is a great opportunity for us and we keep building physicals there.

Alek Gasiel - *Barrington Research - Analyst*

Okay, one last question. And I know you provided already some color on this. Just on Europe, what is their -- what are you hearing in some of the attitudes from the people you talk to there? And just looking at certain pockets of areas, I mean, are Scandinavian countries still holding up or I know -- I think --.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

No, no, look -- sorry, go ahead, keep going.

Alek Gasiel - *Barrington Research - Analyst*

I was just going to say, I think you commented that Western Europe was down in the single-digits, right?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Yes. I would characterize it like this. Of course, the South -- Spain and Portugal and those places, and Italy and so on -- know they are in bigger trouble. And they know they have got problems, so when you talk to people whether your customers -- and our customers are businessmen by and large, either small or large -- and our people, they're very, very, I would say, muted, but they have confidence that they're going to muddle through, they're going to get through this.

If you talk to the people in what I will call the other areas of Europe, like the UK or Scandinavia or France or Germany, they are more positive. They just view this as -- hey, this is a bump in the road. We are going to back down the hatches and we are going to go forward.

I think our view -- I think if you read the US papers and you look at Europe you get more alarmed about the long term than the impression you get when you walk the grassroots path in Europe. Now, I am not sure who's right, to tell you the truth, but you don't get -- you don't get -- I would say you don't get, I would say, fatalism in Europe. Our people -- our customers believe the world is coming back, and we believe they're coming back with us.

Alek Gasiel - *Barrington Research - Analyst*

Okay, great. Thank you so much.

Operator

David Leiker, Baird.

David Leiker - *Robert W. Baird - Analyst*

Just a couple of quick follow up there, hopefully (technical difficulty). On RS&I, Nick, on this OEM dealer business, what is the scale of that these days? Help us sort it out?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

I don't know, but by and large, the OEM-facing business, the pure OEM-facing business is about one-third of the business.

David Leiker - *Robert W. Baird - Analyst*

Of the segment?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Of the segment -- sorry, the segment. Yes, sorry, I misspoke. It is roughly like this, David, the OEM-facing business is one-third. The independent-facing business is one-third, and equipment, which plays in both territories, is another one-third.

David Leiker - *Robert W. Baird - Analyst*

Okay, and is that -- given the lumpiness of that business, are those returns such that that is a space you want to stay in or not?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Well, the business can be lucrative for us when it is rolling. It is lumpy, but it is not unprofitable now for us. It is just less profitable than the other one. And one things that comes through, we like being, at least some of our business, close to the OEMs, because we believe it informs us about what is going on for forward thinking around innovation and what is coming in the OEMs' product lines. We believe that is means something to us.

David Leiker - *Robert W. Baird - Analyst*

And then on the power tools side how much -- do you have any sense of the tools your franchisees sell off the truck, how many of those tools are your tools versus somebody else's, and if there is still an opportunity for you to penetrate that deeper?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

I don't have hard numbers for you, but I believe now a huge share of the tools -- the power tools we sell off the truck are Snap-on. I believe a huge -- yes.

David Leiker - *Robert W. Baird - Analyst*

How important is that then to driving it as opposed to end markets or products or other elements?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

It wasn't a factor in this quarter, but over time I could tell -- but not that significantly. What I am talking about over time, I am talking about back when I was in C&I, we used to talk about bring it home, and now we are talking, what, 2003, 2002, 2004? We used to be -- I ran the business that had power tools in it. We used to talk about, gee, we need to get franchisees confident in our tools so they won't sell other people's, and we did, and that happened gradually over that time.

David Leiker - *Robert W. Baird - Analyst*

Okay, and then the last item here, as we look at the balance sheet, the manufacturing company here is essentially debt-free. The asset base on the credit company has been rebuilt back to where you wanted it to be. With this cash flow you generate now, what are the priorities for that going forward?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Priorities are first organic growth -- and we have some pretty good organic growth in some places -- dividends and acquisitions and offsetting delusion, those are the four priorities.

David Leiker - *Robert W. Baird - Analyst*

And in your organic growth, I mean, the business is essentially self funding. You throw off more money than you generate there.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Well, we are starting to, for sure. I think you would be fair to say that we start to build up some cash next year -- toward the end of next year sometime. And we can put that cash to work.

David Leiker - *Robert W. Baird - Analyst*

And then on the dividend, you're paying about 25% of your earnings. Are you implying that number can go -- once Upon a Time you were paying out almost half your earnings.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Yes, but you know, that was because our earnings were lower, I think. I think the denominator was changed. I think -- look, we don't have a set number, a percentage. Our unifying principle around dividends is that we have paid a dividend every year -- every quarter since 1939, and we have never reduced it and that is it. And so every quarter we assess whether we want to bring our dividend upwards, and that is basically what we do.

David Leiker - *Robert W. Baird - Analyst*

And then, lastly, on the acquisitions you haven't really made anything significant since the business solutions business. What are your priorities or what are your focus areas in terms of acquisitions?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Okay, first, may I simply say though before I say that is that I view the credit company as a pretty big acquisition. If we had goofed it up people would have been talking about integration and things like that, so I think it was kind of an acquisition in a way.

David Leiker - *Robert W. Baird - Analyst*

Yes, I agree.

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

But, look, here is our priorities. We would do -- we will acquire anything along the four decisive strategic runways for growth -- enhance the network -- if we could acquire anything in that way. Now it is not so clear there would be things there, but we would do.

And then emerging markets -- positions in emerging markets, more strength in the repair -- in the repair shop owners and managers in that customer base, or more gravitas in critical industries. Those would be our priorities. And I don't mean in any particular order there, I just think those are -- we would be looking at all those areas.

David Leiker - *Robert W. Baird - Analyst*

And understanding that timing of those things can be challenging, is that something that is three years from now you hope to be able to execute on some of those or is it if something comes along, it comes along?

Nick Pinchuk - *Snap-on Incorporated - Chairman, CEO*

Well, I think we believe there are opportunities. We believe we are coming out from under the credit company. We believe we turn the cash on other things. I think it is time to [buy] the credit company coming out of getting fulfilled, and so that is when we start looking at that. I think I have been saying this to other people for a while, but I think, as I said, sort of next year we are starting to get in that situation where we are looking very aggressively at these kinds of things.

And we -- most of us have quite a bit of experience integrating and acquiring companies, so I don't think we have any trepidation about doing any of this stuff.

David Leiker - *Robert W. Baird - Analyst*

Okay, great. Thank you very much.

Operator

I would now like to turn the conference back over to your host, Leslie Kratcoski.

Leslie Kratcoski - *Snap-on Incorporated - VP IR*

Thanks for joining us, everyone. A replay of the call will be available shortly on Snap-on.com. And, as always, we appreciate your interest. Thanks very much.

Operator

That does conclude today's conference. Thank you for your participation.