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# EDITED TRANSCRIPT

SNA - Snap-on Incorporated Annual Shareholder Meeting 2014

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## CORPORATE PARTICIPANTS

**Irwin Shur** *Snap-on Inc - General Counsel*

**Nicholas Pinchuk** *Snap-on Inc - Chairman, CEO, President*

## CONFERENCE CALL PARTICIPANTS

**John Ruocco** *Computershare - Relationship Manager*

## PRESENTATION

**Irwin Shur** - *Snap-on Inc - General Counsel*

Good morning and welcome to Snap-on Incorporated 2014 Annual Meeting of Shareholders. My name is Irwin Shur, and I am Vice President, General Counsel, and Secretary of Snap-on. I'll be acting as the parliamentarian for today's meeting.

I would like to ask you at this time to please turn off or silence your cell phones if you haven't already. I now call the 2014 Annual Meeting of Shareholders to order.

Each of you should have received the order of business and the rules of order, and we would request that you abide by these rules. It's now 10.08 a.m. on April 24, 2014. And the polls are officially open. If anyone has not yet voted and wishes to cast their vote, our inspector of election, John Ruocco from Computershare, is in the back of the room where he will record your vote.

Attending today's meeting in person are the following board members. I will ask them to please stand when I call their names. Karen Daniel, Division President and Chief Financial Officer of Black & Veatch Corporation; Roxanne Decyk, Retired Executive Vice President of Global Government Relations of Royal Dutch Shell plc; John Fiedler, Retired Chairman of the Board and Chief Executive Officer of BorgWarner Inc.; James Holden, Snap-on's Lead Director and Retired President and Chief Executive Officer of DaimlerChrysler Corporation; Nathan Jones, Retired President, Worldwide Commercial & Consumer Equipment Division of Deere & Company; Henry Kneueppel, Retired Chairman of the Board and CEO of Regal Beloit Corporation; Dudley Lehman, Retired Group President of Kimberly-Clark Corporation; Gregg Sherrill, Chairman and Chief Executive Officer of Tenneco Inc.; and Nick Pinchuk, Chairman of the Board, President and Chief Executive Officer of Snap-on.

Nick will present an update on the performance and progress of your company later in the meeting. Also here today are Bruce Arensmeier and [Mark Bruheini], [Eric Regatshalt] representing our auditors, Deloitte & Touche LLP. They will be available to answer questions following the meeting.

We have an affidavit that notice of this meeting was mailed as required. It will be incorporated into the meeting minutes. Seeing that all shareholders have had the opportunity to vote, will the Inspector of Election, please confirm that all ballots have been counted?

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**John Ruocco** - *Computershare - Relationship Manager*

(Inaudible - microphone inaccessible).

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**Irwin Shur** - *Snap-on Inc - General Counsel*

Thank you, Mr. Ruocco.

It is now 10.10 a.m. and the polls are officially closed. I've been advised by our Inspector of Election that we have a quorum with more than 89% of all shares outstanding represented at this meeting, 58,304,134 shares of common stock, each having one vote on each proposal are entitled to vote at this meeting. The voting results are stated as a percentage of the stock represented at the meeting unless otherwise noted.



We have three items of official business on today's agenda. Our first item is the election of directors. The board has nominated the following candidates to serve until the 2015 annual meeting. Roxanne J. Decyk, director since 1993, Nicholas T. Pinchuk, director since 2007, and Gregg M. Sherrill, director since 2010.

Each of the director nominees received votes in their favor of at least 95% of the shares represented and each has, therefore, been duly elected. Our second item is the ratification of the Audit Committee selection of Deloitte & Touche LLP as the company's independent registered public accounting firm for 2013. Over 94% of the votes -- of the shares represented voted in favor of this proposal, and therefore, the Audit Committee's selection of Deloitte & Touche has been ratified.

The last item of business is the advisory vote to approve the compensation of Snap-on Incorporated's named executive officers as disclosed in the proxy statement. As an advisory vote, this proposal is not binding on Snap-on. The resolution being presented for shareholder approval was set forth in the proxy statement. Since over 98% of the votes cast have voted for the approval of the compensation of Snap-on's named executive officers, the nonbinding resolution is hereby approved.

This completes our official business, and therefore, the meeting is now adjourned. And we will now have a short video about Snap-on. Let's watch.

(Video Playing)

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**Nicholas Pinchuk** - *Snap-on Inc - Chairman, CEO, President*

I love that video. It started with a spark and the spark was an idea and the idea forged into dream and the dream shaped lives and it reached across the nation and the world. Those are words which ring for us at Snap-on with truth.

And it's a reason, there's a reason for that because it really did start with a spark. A brilliant flash in the mind of an engineer from Milwaukee, Wisconsin, named Joe Johnson and the flash was an idea. Five do the work of 50.

And that idea did forge a dream, much of which was forged right here where we stand. And the dream was the Snap-on company and it did shape lives. Hundreds of lives of people who over more than nine decades were associates of Snap-on found lives of prosperity and fulfillment and satisfaction. But beyond that millions of people were enabled in pursuing their dreams and declaring the dignity and pride in their work and achieving their tasks and it did spread across the nation.

This is a unique company. The company founded on -- a brilliant innovation, five do the work of 50, dedicated to a timeless proposition that dignity of work. For nine decades, Snap-on have labored in pursuant of that dream and in the service of that idea and I'm here to tell you, stay on the gear, that 2013 was another encouraging year in that trend. And we have great opportunities going forward and your company is as strong as it has ever been.

All of you in this audience have contributed to that, many have contributed greatly. None more importantly than our board of directors, you met them just a minute ago but I just must say that they have been generous with their guidance and their support and their encouragement. Ladies and gentlemen, thank you for all your support. We appreciate it.

And then, of course, there's the leadership of our team who has guided us through these periods and these years and particularly the last year, I'd like to introduce some of them to you right now. For the Tools Group, the president of Tools Group, Mr. Tom Kassouf.

From RS&I, the group that reaches our with repair shop owners and managers, the president of that group, Tom Ward. Our chief financial officer, Mr. Aldo Pagliari. The president of the commercial group that extends to critical industries, places like aviation and the military and mining, Mr. Anup Banerjee. From Europe, SNA Europe, our tool business that describes the continent in England, Mr. Jean-Pierre Levrey. And the man who I am fairly confident has traveled the furthest to be here with us this morning, 10,000 miles and 12 time zones, the new president of our Asia-Pacific operation, James Ng.



This is a unique company and as I said, we are founded out of brilliant innovation and we tried to maintain the tradition of that innovation and bring it to our customers of going down through these long decades. But we have another great advantage and that is that we have living links to our founders. Today, we have some of those here with us.

Greg and Kathy Johnson are here. Greg Johnson is the grandson of Joe Johnson and for almost 30 years, he worked with -- he worked and led Snap-on as our -- principally as our controller and he shares his time with us and many of these events and we are privileged to have him, he and Kathy with us again here today. Greg and Kathy, please stand up.

And then, as I am always privileged or not always but often privileged to introduce at this event, a Snap-on treasure, the daughter-in-law of Mr. Joe Johnson, our fourth president of Snap-on, Mrs. Mary Johnson. Please stand up. A Snap-on treasure. Mary, thanks for being here again with us. We appreciate it. Appreciate it very much.

And as long as we're looking back the history, there is a man, as I've said I -- everyone in this audience I suspect has contributed in some way to our success in the past years and in this past year and will in the future. But there's a man here whom I owe a special debt of gratitude. That is the person who thought us the work rapid -- gave us the concept of rapid continuous improvement, put us back on the tradition of Snap-on, thought us who we are. My predecessor in this job, my ongoing -- my ongoing counselor and I'm proud to say my friend, Mr. Jack Duane Michaels. He's here with Chris Michaels. Please stand up.

And then reaching back a little further, for the seventh president of Snap-on, Norm Lutz, who was here in the '70s, late '70s and early '80s as chairman, we have Susan Lutz Canyon and her husband Bill, please stand up. Thank you for joining us. Thank you for joining us once again.

It's such a great -- it is a great pleasure for all of us who inhabit contemporary Snap-on to have these links to our founder. It's a great inspiration to us and it's a great comfort to have people who have been so instrumental, Jack and Chris and Susan and your father who built so much for us and gave us the company on which we enrich forward. We appreciate you being here.

So let me tell you about Snap-on. But before I do, I must give you, as an any public company, I must give you what's called the cautionary statement which allows you -- gives you the perspective on which to take my remarks. Here, I'll allow you to read it. That's good enough.

Okay. The essence of our progression and what we do is we know who we are. We had a company who makes the most value productivity solutions in the world. We believe certain things. We believe in safety, quality, the customer, innovation and that word, that phrase given to us by Jack Michael, rapid continuous improvement and we value certain things. We value integrity and truth and respect and teamwork and we listen and we aspire.

We aspire to be the top choice, the first choice for all with whom we interact. This is who we are. Most valued productivity solutions. Our beliefs, our values, and our aspirations.

You know, and we like to think the videos help make that point. This video was themed, as you can see, the dream, the idea that Snap-on enables the dreams of American so I'm going to speak about that a little bit later but it is true and I hope that you felt the same things about the video that I did.

I get emotional when I listen to these videos and one of the reasons is that this is not the product of an advertising agency. None of our videos of the product of an advertising agency. They are written, produced and directed by Snap-on people and only Snap-on could infuse the truth and emotion that you see in those videos and we have the two principal architects of the video here with me.

So I'd like you to recognize them. Rick Secor and Alicia Smales. Please stand up.

You know, I came in this morning -- out here, in the afternoon. There's a lot of -- it's a great thing. It's my dream to be the Snap-on chairman, actually. But occasionally, once in a while, things happen. I walked outside and one of the retirees came up to me and said, "Hey, great annual report this year. Great one." He says, "I really love the picture. In fact, that's a really great picture of you."



What does that mean? Think about that for a minute. It kind of means you don't look that good in person, I guess, right?

But Tom Kassouf got the answer. He says, aren't we lucky to live in an age where the technology advancement surrounding airbrushing outstrips our aging. It's pretty true, I guess.

You know, so anyway, we're going to talk about who -- we've talked about who we are but let's talk about what we do. And what we do at Snap-on, the core of what we do is we maintain a clear understanding of work whether it's an independent garage or an OEM dealership or increasingly in flight lines or in oil and gas platforms or in military applications. We understand the challenges of the men and women who actually turn the wrenches and do the work.

And this allows us to summon anew with unique productivity solutions. We show some of them up here. You know, you see the power tool CT7850, 18 volt lithium ion cordless impact wrench. And you can see the epic tool storage with a power comp that's kind of one of the coolest things in the industry and you see the low slung, the low profile ratchet and sockets and the diagnostics workstation and the Solus Ultra. And the tech - Techangle and Techwrench and the pneumatic Techwrench and the V300 imaging aligner which has mathematics behind it that's every bit as complicated as inertial navigation, I assure you.

And this allows us to enable workers to solve critical problems and workplaces of consequence. Which means Snap-on can be effective in garages where people are waiting for their car because if they don't get their car, they can't actually live in a lot of situation. You can relate to that.

But also, in places like the military where people are in harm's way and they need to depend on us or in oil and gas platform, or in aviation where, boy, if the engine isn't fixed, you ain't flying. And so, it allows us to do that.

So Snap-on is a company that understands work, summons the new, installs the critical, enable work in a workplace and enables workplaces of consequence. But we do something else, we signify the serious. Men and women use our tools to declare that they do something special. This goes back to Joe Johnson and the green felt when he laid it out in the garage in 1920, something as special as perhaps the surgeon.

And when someone makes our name their own by using our tool or wearing our jackets or hat, they are declaring to the world that they're a special craftsmen and their work is worthy of dignity and pride and they, in fact, fulfill their dream. Snap-on people are able to achieve their dream.

I had a great experience riding around in a van the other day where I met this technician, Oscar Ramirez, and he asked me and says would you come in and see my box? And he's got this new -- you see it pictured up here. He's got this new Snap-on box that looks to be about two to three days' old and he said, you know, it was always my dream to have Snap-on product. That's literally what he said. This is a direct quote.

But here's what he said that really was different. He said, you know, my father told me that he always wanted to have Snap-on but the opportunity never came. And so he was happy that I, Oscar, was living his dream. He said I'm proud to be living my father's dream and it all has to do with Snap-on product. This is a unique company.

And 2013 has been an encouraging year. Let's talk about the year. Look at earnings per share, \$5.93 versus \$5.20, the year before. That's up 14%.

If you look at sales, sales crossed the \$3 billion mark for the first time, 3.06 billion versus 2.94 billion in the year before, up 4%. But there's a little bit acquisition in there so in the province of Wall Street, this 3.5% organically. And if you look at operating income margin, 15.1% up 120 basis points. This is a wide gap over the 13.9 the year before.

And yes -- and so that's the tale of the tape for OpCo and it is an extent on a pretty encouraging trend. If you go back to 2005, I remember the days in 2005 and you can see our numbers in 2005 where I think it says 2.28 billion in sales and then 2.46 in 2006 and then 2.84 in 2007 and 2.85 and then the recession hits, of course and then we are recession resistant but not immune so it goes down to 2.36 and then 2.62 and then 2.85 and then 2.94 and then up last year over 3 billion.



But the profits are even more encouraging, I think, more positive. You can go back to 2006 and an OI margin with 6.5% and at this point, even at this point or in 2005 where I think it's not on this chart, it was 5.9%, we said, were going to mid teens and I think many people snickered at that but it was 6.5 in that year, and the next year in 7, it was 7.6 and then it went to 10.6 and then it went to 12.3 and, of course, in recession was 9.9 and we tried to keep it above double digits but we couldn't quite but it was almost double digit and then it went to 12.1 and then 13.5 and then 13.9 and then in the last year 15.1, and we made it in mid teens like we said we would. Encouraging.

And this is the -- this is the operating business. In other words, the non-financial business. You might remember that 2009, we had -- well, before 2009, we had a joint venture, 50-50 joint venture between us and CIT and it was a credit company that financed receivables or borrowing but won't as two technicians primarily and in 2009, it was all that turbulence so we had to make it 100% owned company and that was a lot of turbulence in itself.

And bringing home the credit company, we had all the expense and not much of a portfolio so our portfolio in that year, in 2009 which we reached at the end of the year, 398 million and we lost 9.1 million on it. Not so much fun.

And the next year, I think we went to 733 or something like that and we made 14.4 million and then 9.38 and we made -- we made 72.9 million. And then it moved up to over a billion. It changed and we made 106.7 million. And last year, \$1.2 billion. Starting to get to the money and we made 125.7 million dollars in profit. So it's clear that the credit company, the financial services contributing financially to us.

And if you look at the tools group progression and you see that they keep selling more tools storage and more big ticket items, you know it contributes -- it contributes strategically as well. And we like to refund these things so that, you know, give some return to our shareholders so you can look at the history of the dividend now.

What you got to know about the dividend, I think -- I hope most people remember this in the room but we started paying dividends in 1939 and we paid one every quarter since then and we have never reduced it, which means we have one of the longest record of how interrupted, unreduced dividends of any public company around and you can see the tale of the tape, a \$1.20 to \$1.22 to \$1.30 to \$1.40 to a \$1.58 and up 16%. Nice increase.

And then if you step back and say, well, what was the return to the shareholders? It's called, I think, in the province of Wall Street, they say TSR, total shareholder returns. And you can compare it to some reasonable benchmarks to the Dow Jones and the S&P 500. You see our one year number 41% versus 32 and our two-year number, 106 versus 57 and 55 and you five-year number, 216 versus 128, 160. Fairly good compared to any benchmark.

And people noticed, people noticed. In fact, Moody's one of the great rating agencies looked at our debt and they have been dating -- they have been rating us BAA1. Well, last year, they looked at us again and say, these guys, Snap-on maybe is deserving of an A3 rating. And so they raised the rating to A3 and when you matched it up with Fitch and S&P, Standard & Poor's which already - had already been rating us A, we have a solid A rating and we're one of the few companies of our size that has this case of A level rating.

So last year, 2013, was an encouraging year, financially and strategically. But there are other things besides finance and strategy. There are some things that are good for the soul. And for us last year, what was good for our soul was the Honor Flights. Not everyone here, I think, knows about the Honor Flights but the Honor Flights are flights that gives the opportunity for veterans. They fly to Washington D.C. and visit their monument.

So Snap-on, what we did was we sponsored flights for Snap-on veterans of the Vietnam, Korea and World War II era to fly to Washington, spend a night, spend the next day visiting those monuments and then coming home the next morning. Last year, I think we sponsored three flights or four flights. We have two more to go.

And you saw in the video actually, you saw [Rich Bauwker] and his wife, [Roseanne], still works for us. Rich worked us for a long time and you saw him and his daughter, [Sherril], talking about the Honor Flight. And I know that they're in the audience. Many Vietnam and Korean war veterans that are here that participated in the Honor Flight that are Snap-on, former Snap-on employees. So I'd like us all to give them a round of applause.



Thank you for your service. Now there's another picture on this slide. I have myself picture on here and the reason is this. Because I went on this flight. I didn't go on a flight. I joined the group in, you know, Washington and it was the first flight and it was my great privilege to finally meet the 9th president of Snap-on. Mr. Bill Rayburn.

Bill Rayburn was the president. I know you can see him there. He's in a wheelchair. He was from Canandaigua, New York. He was a president at that time. He had a program called Fly Like An Eagle and his program was make a billion dollar sales for the first time and he did it.

A great gentleman. A legend in Snap-on. And when you meet him you know that he was a terrific guy. By the way, he was also -- he also rode a dive bomber in a place Saipan in World War II.

I talked to him several days ago and he's listening to this event. So I'd like everyone here to give the Snap-on Eagle, Mr. Bill Rayburn, a round of applause.

And then just let me share one other piece of this with you is that there were Vietnam veterans and Korean War veterans and World War II veterans there but I remember this image very clearly. We were all up to the World War II monument at Boston, people got out and they were our veterans, our World War II veterans leading the way, walking down the promenade, approaching this monument.

Men of pale hair, weighed down, I suppose by age and years and maybe on this day memories. But the thing is, as they approach this, they walked between a group of people, a large group of people, tourists and bikers and congressman and the crescendo of applause that greeted them was so uplifting, it was a moment I will never forget.

We have two of those World War II veterans here with us today. We have Ed Adams, the chief engineer of Snap-on was with us 32 years. Ed Adams of Snap-on engineering and the 9th U.S. Army Air Force, a prisoner of war in Germany during World War II. And we have Werner Steinseifer who was a die -- tool and die maker right here in this space for 44 years with us. Werner Steinseifer of Snap-on tool making and the 10th Mountain Division, a veteran of Riva Ridge, one of the most devastating battles of the Italian campaign.

They are both here with us. Please, gentlemen, stand up. Thank you for your service.

One postscript to this event was that people visited the monuments and pause at the different battle site and then these veterans, Snap-on people, all came out. Bill Rayburn and Werner, Ed and others and sat -- it was a sunny day -- in the Sun on that day and talked about the time at Snap-on. And they spoke with energy and fun and pride about it. It was even more uplifting than watching them walk to the monument to see men of that caliber speak of pride about our company.

So that's our year this year. It was a great way to cap off the year, the Honor Flight. Now, let's talk about the way forward. We see the way forward as runways, runways for growth and runways for improvements.

Let's talk about runways for improvement. We talked about this often. Our runways from improvement, our Snap-on value creation and you might note the words here, they're the same words in who we are in our beliefs. Safety, quality, customer connection, rapid continuous improvement, and innovation. They are the processes by which we improve every day. We get up every day and try to make our business better, focusing on these things.

Let's talk about safety. Very important to us and last year, for the first time, safety, our incident rates dropped below one. Now, this doesn't necessarily mean much in abstract but if you think about, just in 2004, it was 14. That means that if Snap-on -- it was 93% less likely to have an accident, it's 93% safer than they were just 10 years ago. We're very encouraged by this.

And any tool locations around Snap-on had no serious injuries that we're serious enough to lose time. Not that we care about the lost time, we just don't want people to have injuries that are serious.





Quality. Snap-on has, always had a great quality reputation. We keep trying to test that there are many ways to test. One of the ways we do is with [floss and sole] when we ask them what's your preferred form of hand tool? We ask mechanics all over the United States and here is the result. For hand tools, 74% of the people polled said first position, Snap-on. Number two is ten. Diagnostics, 61 to 10, tool storage 65 to 12. If Nick Saban had these scores at Alabama, he'd be turning cartwheels.

Now, Okay, that's the statistics. But let's take the people's measure of quality. Right? What this says is Captain America loves Snap-on. You go to see the new movie which is Captain America, Winter Soldier. Snap-on is prominently featured because, of course, you know, if you're serious about your work, if you need criticality, Snap-on is important.

And we put it up to the other movies. Batman which is Dark Knight and Iron Man, they both clearly showed Snap-on. And the reason -- and by the way, we do not pay for these places. This is not a commercial placement. They come to us and asked for tools and we placed them.

And why you say? Well, think about it, Iron Man and Batman, Tony Stark and Bruce Wayne. Billionaire, savant, tinkerers, who are super heroes by virtue of their mechanical genius, they can afford anything and their life depends on their mechanical work, the movie wouldn't be credible if they didn't use some - if they something besides Snap-on, you see. Because Snap-on is the tool of choice when things are critical.

Now, if you don't like this one, this is, you know, I might say, Okay, well, here's another one. So I'm riding around, again, on a van and I meet up with the Martinez Brothers. The Martinez were national auto, right?

Okay, so they tell me they have all these security system and somebody, despite the security system breaks in, but the police came very quickly and so they can't make it the backdoor with their loot so they ran away. When they checked the sack, it's only Snap-on tools.

So even burglars prefer Snap-on tools. Actually if you think about it, it's a pretty big endorsement. They could have taken anything, all they took are Snap-on stuff, right?

So look at this as kind of the people's testimony for quality. And it is. It is, you know. I would worry. Actually, I'd really worry if it was the [Madco] stuff, think about it, right? Okay.

So quality is pretty customer connection. Safety, quality, customer connection. We are in more shops in more workplaces for more hours than anybody else. 4,800 franchisees; 600,000 shops in Europe and the United States; 2,500 technical schools making and converting students to be customers for life for Snap-on and in this location, innovation works. We've had more than 20,000 visitors where we can -- we can converse with them about how to make their work easier.

And why -- what this all results in is we have a tremendous feel, a clear feel for the practical. We understand what we'll make work easier. This is the core of what makes Snap-on successful, the simpatico with working men and women.

And one of the great, great things about Snap-on is we have people who have been here a long time and have been doing this for a long time and therefore think of their tremendous experience. I'd like to introduce a few to you. First, I'd like to introduce to you Gary Henning.

Gary Henning is one of our premiere engineers and manufacturing experts. He's been with us 40 years. He joined as a metallurgical engineer 40 years ago. Actually, I think it's 39.9 years so I don't know how much more he's got to go to make 40. But Gary is here, with his wife, [Cindy], please stand up. Thanks for all your contribution.

And then we have Lynn Ernst, Supervisor from the Item Master here in Kenosha. Lynn Ernst has joined in the beginning as the clerk typist for us and she worked her way up to be supervisor of one of the most important logistic activities in our organization and she is here celebrating today her 36th anniversary with Snap-on. So she marks 36 today. Stand up please.

Steve Spurrier is the coach of the Washington Redskins, the Florida Gators and the South Carolina Game Cocks. But before that, he won the Heisman Trophy at Florida. Lyndon Baines Johnson, President of the United States. Kauai King, winner of the Kentucky Derby and the Preakness. What they



have in common, they have something in common with someone here. Those people who won the Heisman Trophy, were president and won the Kentucky Derby and Preakness in 1966, Doreen Koepke is here.

Doreen Koepke is here from the Algona plant and she has been with us 48 years and she joined us in 1966. Doreen, thanks for your service. Thank you.

Last a little longer, you're going to have some experience, you know. But, actually, this is what makes Snap-on. We have people who are experienced. It's not that they get stuck in their -- and we don't get stuck in our ways. We evolve. We get stronger, experience only helps when that happen. This is the lesson of Snap-on.

Now, so we have a clear feel for the practical. We also have a great understanding of the possible. In other words, new technologies, you can see here a power tool, one of our pocket power tools, you know, CT series being designed.

You can see the rendering, you can see the two-dimensional drawing then you see the three-dimensional CAD drawing and then you see the 3D printing which allows us to prototype -- which happens right out here in innovation work. It's a relatively new technology which we brought here and it's allowed us to advance our engineering and innovation capability.

So we are not only experienced. We have new things. So I thought it would be appropriate to introduce to you some of the new Snap-on.

So first, Matt Hannan from Power Tools, of Power Tools engineers. Joined us about one and a half years ago. Matt, please stand up. Anna Daugherty from HR who has been with us less than 1-1/2 years. And then Chris Williams has been with us all of four years who's in the tools group and is contributing to us and who is the head coach of the Prairie School Seventh Grade basketball team. Please stand up.

Ladies and gentlemen, the face of the new Snap-on. I, you know, when I saw this, you know, every once and a while, I saw that the head coach of the Seventh Grade basketball team, how many assistants do you have for the Seventh Grade? You have a lot of assistants there?

Okay. So you have - you have the possible and the practical and it comes together in innovation and that's what creates the product we have and our product is, I think, by most measures doing fine, doing well. We are encouraged by unsatisfied. We're going to keep doing more. But we win awards. MOTOR Top 20, three awards. Things like the flip socket, the 6810 flip socket, the AC400 Touchless Wheel Clamp, the Verus Pro.

And then the Undercar Digest. We won five awards when technicians actually voted, we won five awards, things like the Integrity Test Drive, things like the BK800, you know, the viewer, the CTLED7850, the rechargeable light, rechargeable flashlight and so on. On the Undercar Digest, the Verus Pro and the Solus Ultra.

And then even in Europe, with Bahco. The International Grand Prix of Equipment Auto, we won for our Bahco Ergo Tool Management System. So innovation is alive and well.

So safety, quality, customer connection, innovation and rapid continuous improvement, getting up every day and figuring out how to do things better and more efficiently, it seems to be working.

If you look at these numbers, I think you'll believe it. If you look at 2007, the number is 2.84 billion, last year 3.8 -- 3.06 billion. The difference, 10.7% versus last year's and 10.4% versus -- the 10.6% versus last year is 15.1, the 450 basis points -- 440 basis -- 450 basis points difference. This is rapid continuous improvement.

So runway for improvement. Very strong for us and it's a way in which when I speak to the analyst, I tell them this and I believe it. If we never got another dollar of incremental sales, we could keep increasing profits because of Snap-on value creation and the ample runway for improvement we have. Runways.



Now let's look at where we have viewed ourselves in terms of history. Talking about going forward for growth. Here's how we viewed ourselves. Selling wrenches or tools through the van to auto mechanics.

This is Snap-on thought of itself and we did it well. But actually, when you think about it more broadly, here's what we actually do. We observe work and make it easier and we can do it whether it's a wrench or a piece of software or we know that now and we can sell to any professional, not just on auto mechanic, as long as they are operating on critical tasks.

And when you think about that, when you think about that, it opens up a wide range of customers and therefore create some exciting and abundant runways for growth and here they are. Enhance the van network, expand with repair shop owners and managers, extend the critical energies and build an emerging markets.

Let's talk about enhancing the van network. This is our traditional business. But the van business keeps growing. They grew at 10% in the fourth quarter and 6% in this quarter. This is an - this is in a GDP that's 1% to 2%.

Something's happening here for a model that's been there for a long time. And what it is is, we've learned how to optimize and build the profitability, the franchisees, make their productivity stronger so they get more selling time and can reach more customers and sell more to the same and then we've done some special things, time to do -- and these teams done some special things in terms of breaking the traditional boundaries of the van. Something called the Rock N' Roll cab.

The van -- the van model has been bounded by space. Van's only so big, you can only put so much on it. So this is kind of like time sharing. These vans, these Rock N' Roll cabs have top to bottom, front to rear tool storage. Tool storage is a very bulky thing to put on one of our franchise van so it follows a van around for one or two days and then moves on to the next territory, kind of a renting or temporary or time sharing of space. It has boomed our tool storage sale.

And then expanding time, the Techno-Vans. Now, we have 18 of these. We have four last year. We have 58 Rock N' Roll vans, or 59 Rock N' Roll van. We have 18 Techno-Vans who are building these. These are vans which helped the diagnostics, helped the franchisee sell diagnostics.

Diagnostics is a great product but it's a difficult product to master. So on this van, on this van, what we call techno is a specialist who follows our franchisees around again for one or two days but the thing about him is he has all the equipments to display the diagnostics are the best and he knows how to make our diagnostics sit up and do dog tricks.

So when people get on the van and they say, "I want to buy -- get see the diagnostic units to its best display" and hence the van network is working. Expand with repair shop owners and managers. These are people who really respect us. We haven't enough focus on them in the past. Tom Ward in the repair system and information group are doing that.

We're leveraging our position and building in that business. It's the business that in the quarter had 22.1% align margin. And for this business as we say for all these other businesses, we say we can acquire things that will give us more to sell to these customers and we did just that in the middle of the second quarter last year when acquired challenge on lifts.

Lifts are sold to repair owners and managers. We acquired challenger and has boosted our sales in the segment giving us more to sale and challenger has been a tremendous addition to both our product line and our bottom line and to extent, to critical industries.

We would focus -- we will always -- we're destined to focus on auto repair but that's not true. Our product sells to any place and it's valued at any place in criticality, in work places of consequence. And these are places like aviation, mining, oil and gas, military and energies, commercial group are reaching out to that, selling to this place to any extent and that group grew in a quarter at 10.4%.

And then building an emerging market. Everybody talks about emerging market but here is the thing. Emerging market hasn't quite started for us because they sell a lot of new cars in China. They sold 25% more new cars in China than they sold in North America last year but there aren't that many on the road and they're all new.



Whereas in United States, there's a lot of new cars on the road, 300 million and they're getting older every year. Right now, they're 11 and a half years old. So this is an environment in the U.S. where the car park, the cars in store, there are many and they are old.

And in China, despite the fact they sell a lot of new cars, there aren't many on the road and they're all new. So it's building up and James Ng and it's team is building our physical capabilities there.

We now have 31 offices, five factories 1,500 people and over 700 distributors and a growing product line in that area. So you see some nice progress in building in emerging markets.

We just had a factory there that we launched about a year ago and it continues to ramp on the expanding in places -- selling into place like Indi and China and Indonesia and so on. So that's our story. Runways for improvement, get up every day and think about how to push safety quality custom connection and innovation.

And runways for growth, enhance advanced channel, expand with repair shop owners and managers, extend the critical industries and build in emerging market where the repair wave is common. It's working for us. More evidence that it is working is the first quarter.

If you like to hear the first quarter numbers, you can see sales where it's 787.5 up 6.2%. Now if you pull out the acquisition, that's 5% organic growth but it was fairly nice organic growth percentage. OI margin was 15.5%. That as up 100 basis point and that's against the currency headwind, the 50 basis point. So a nice 100 basis point growth in profitability.

And then our earnings per share, \$62 which is up 15.7% from the \$40 the year before. So 2013 was encouraging and 2014 the first quarter is continuing the trend. Europe company is strong.

Now I want to -- before I finish, I want to make sure I say this is that I appreciate that so many of you have come here, some from near and some from far. But when you go back home, I want to make sure that you travel safely because you are all important to us.

A public company is a splendid commercial organism that brings together interest of many people and almost in a circular fashion tries to create benefit, gets value and nurture from those investments but also returns benefit. We Snap-on are among the most fortunate.

We benefit from the confidence of our shareholders, the conviction of our franchisees, the energy of our associates, the faith of our customers, the support of our communities and the achievement in building the base that we enjoyed from our retirees.

I want you to know that we know that none of the progress that I talked about, none of the future that I forecast here or spoke about here, none on the Snap-on past, present or future would be possible without your energy, your contribution, and your support. For all of that, I thank each and every one of you.

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## QUESTIONS AND ANSWERS

**Nicholas Pinchuk** - *Snap-on Inc - Chairman, CEO, President*

Now I take questions. Do we have any questions? Yes?

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**Unidentified Audience Member**

(Inaudible - microphone inaccessible).

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**Nicholas Pinchuk** - *Snap-on Inc - Chairman, CEO, President*

We have a microphone here. Just a minute. Just hang on a second. It's [Edgar], right? Yes.

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**Unidentified Audience Member**

With all of the economic problems on in Europe, how are we doing in Europe?

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**Nicholas Pinchuk** - *Snap-on Inc - Chairman, CEO, President*

I saw on TV about a year ago that France has been a constant headache, you know, but headaches no more. It's come back and actually what we do is we know that Europe has been difficult. In fact, Europe never came out of the recession and we saw a quarter after quarter of contraction.

But we were confident in our future in Europe. We did not see our customers going away. We knew they were going to come back. So we busied ourselves in Snap-on value creation, making ourselves more efficient, more productive but we never took out capacity to sell to provide product.

And about three quarters ago, Jean-Pierre to quarters after quarter of suffering and work turned the corner and started to actually even though sales were going down, started to have higher profitability. And the last two quarters, the sales are going up. And so that has created tremendous leverage for us.

So actually, Europe has now become one of our stars but it hasn't been without some great blocking and tackling from the European group. So I'm very positive about Europe.

You can see in the commercial and industrial group in the quarter, if you peel and you look at the -- if you listen to our earning score, the sales are up in commercial and industrial of 10.4% and some of that is due to Europe's improvement.

But OI margin was up 200 basis point, 13.5% versus 11.5%. This is astronomical. And you got to be further impressed when you realized there was 100 basis point, 100 points, 1% of bad news for currency on that.

So we didn't have the currency with even more. So Europe is working pretty well for us now. We're kind of please with it. France, no more headache. Now as soon as I that you know. You can imagine what's going to happen, you know, right?

Okay. Any other question?

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**Unidentified Audience Member**

I'm just asking what is the plan for Snap-on to build the business in the critical industries as aviation and military?

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**Nicholas Pinchuk** - *Snap-on Inc - Chairman, CEO, President*

Well, what we know is that people in those industries respect Snap-on. Every year I go through [Scataco] fair. It's the [Orenza] county fair in upstate New York and every year when I walk around there, if I have Snap-on head on or Snap-on on T-shirt, people will come up to me and say, "You guys make great stuff."

And those guys are not mechanics. They're farmers or they're people who are working in some of the mills up there. So working men and women of all types, not just restricted to auto repair garages, respect the Snap-on brand.



So when you present the Snap-on card in oil and gas position or in aviation flight line or to the military, people take notice because they want to take advantage of the repeatability and reliability and also actually they want to declare the dignity and pride in their works.

So we have a receptive audience. What we don't have, like we have for auto repair, is we have 65,000 SKUs, we have huge product line for auto repair so we don't have this full of product line. They were pretty a product line for aviation and military but also don't have the understanding.

We understand work. Remember I said, our core is we maintain a clear understand of the practical of work. While it's clear in the auto repair garage, it's not as clear on the flight line or in military applications or in oil and gas and what we need to do is develop that.

As we develop that, Snap-on magic reaches out to those people and cross every bit as robust as the auto business. Other questions? Yes?

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**Unidentified Audience Member**

I just noticed the stock was up to 117, are there plans to split it?

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**Nicholas Pinchuk** - *Snap-on Inc - Chairman, CEO, President*

Say that again.

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**Unidentified Audience Member**

Are there plans to split the stock?

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**Nicholas Pinchuk** - *Snap-on Inc - Chairman, CEO, President*

Which say? All right. I don't know.

Look, maybe, yes, no. I will tell you the considerations. I will tell you the considerations. You can split stocks. A lot of people will tell you it helps to retail investors. Other people say there is evidence that it doesn't make any difference.

There is a question about if you split your stock, there are some kind of -- let's just talk about anecdotally, the optical question. If you're at 117, it's kind of cool. It sounds like Snap-on with the pride and dignity what appear at 117.

On the other hand, when you split your stock it does communicate to people that you're so confident, you believe it's going to back to 117. So it's not so clear which of those things you want to do.

Generally, people who studied the analytics of the Wall Street will tell you it doesn't matter. So we kind of sit there and look at this. Right now, I think I'm encouraged by the stock position.

Other questions? Yes?

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**Unidentified Audience Member**

Business is doing very well. We appreciate your leadership from our position in making that happen. Can you describe a little more about -- since the van business is a core business, can you expand a little bit on the plans to expand that part of the business and in what geographic areas do you see that happen?

**Nicholas Pinchuk** - *Snap-on Inc - Chairman, CEO, President*

Sure. I think at one time we thought that the van business was severely bounded. We have disabused ourselves of that idea.

The van business calls on 800,000 -- 850,000 technicians. There are 1.25 -- there are more than 1.2 million technicians in the United States. So we -- and that simply driven by productivity issue.

The van drivers don't have enough productivity or don't have enough selling time to reach all these people. We can build that. We can sell them more. We have more things to sell to the existing people. We have customers.

So we see the van business right now as unbounded. One, because we can reach more people; two, we know there are people who would buy other things from us if we could figure out how to be innovative enough for it; and three, there's going to be a turnover comp.

The numbers are something like this, 105,000 technicians retire every year, only 75,000 are coming into the workforce. So there's kind of churn. Every time somebody comes in, they need new tools. We love them, all right?

By the way, people retire with their tools because they collect them. And so these are good things for us. How we're going to do this is it's not by adding more feet on the street, not by adding more van. We tried that once, it didn't work as well.

What we're doing is we're saying the franchisees are our team. They're actually our advantage. We're going to live with them. The existing in the United States 3,478 vans and we're going to figure out how to make them more productive.

We have RCI for the vans and also innovations like the Techno-Vans and rock-and-roll express to make those vans more -- each individual van more powerful. And we're going to build capability that way.

And if you want to think the van business is bounded, let me give you these numbers. The last four quarters, the fourth quarters in the van business last year, 10%, 9.6%, 9.2% and 10.7%. This is an economy which is growing at 1% to 2%.

So this is clearly working for us. We think it continues to work because we see the opportunity in reaching more van and more technicians which we don't reach today. We see the opportunity in being more effective in selling more product.

We see the opportunity in garnering the turnover in those new technicians which we've made customers for life in the technical schools of today. We see the opportunity in using our franchisees and building their equity. Working now, we continue -- we see it continuing to work.

Other questions? I do have an inside track on who's going to win the Super Bowl but, Okay, I'll see you later for that, Okay? Anybody else?

Okay. Let me just finish by saying this, this is a special company. I hope if you go away with any idea or any thought, you go away with that thought. It started with a spark and an idea and a dream and it did shape lives and does shape lives.

The people of Snap-on have labored for more than nine decades to keep the tradition of innovation of them, to serve the concept of the dignity of work and to keep the dream.

And I pledge to you, I pledge to you that the people of Snap-on, the people of contemporary Snap-on will get up every day and think about making your company better and sweat and strive and work hard to make that happen.

And we'll do that because we know that this is a special company, a unique company. Technicians all over this country who filled out that survey and said they prefer our hand tools 74% of the time, they say so. We'll be producers who want our tools even when we don't pay, they say so; young men and women and workers like Oscar Ramirez who dream about Snap-on tools, they say so, and those men of pale hair who sat in the sun in

Washington at the monument after the honor of flight talking about Snap-on with pride and dignity and emotion. Heroes of a country and heroes of a company, they say so.

You know, the stockholders or to the stockholders for your confidence, you have my appreciation. To the associates and franchisees for your constant capability and energy, you have my admiration. For the community leaders here for all your support, you have my gratitude.

For the retirees in this audience for the company you have given us, this great company, we know that to the extent we talked about the future and we strive for the future and we reach for more, we stand on your shoulders, you have my respect.

And then to all of you, for granting me that opportunity to fulfill my dream, to be here enlisted in a cause which is important to many, to stand with people that I respect and admire and to labor and keeping the dream, you all have my thanks.

Thank you all very much.

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