



# Quarterly Financial Review

Fourth Quarter 2020

**Snap-on**®

# CAUTIONARY STATEMENT

- These slides should be read in conjunction with comments from the February 4, 2021 conference call. The financial statement information included herein is unaudited.
- Statements made during the February 4, 2021 conference call and/or information included in this presentation may contain statements, including earnings projections, that are forward-looking in nature and, accordingly, are subject to risks and uncertainties regarding Snap-on's expected results; actual results may differ materially from those described or contemplated in these forward-looking statements. Factors that may cause actual results to differ materially from those contained in the forward-looking statements, including those found in Snap-on's reports filed with the Securities and Exchange Commission, and the information under "Safe Harbor" and "Risk Factors" headings in its most recent Annual Report on Form 10-K and any Quarterly Reports on Form 10-Q, which all are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the February 4, 2021 conference call and/or included in this presentation, except as required by law.
- This presentation includes certain non-GAAP measures of financial performance, which are not meant to be considered in isolation or as a substitute for their GAAP counterparts. Additional information regarding these non-GAAP measures is included in Snap-on's February 4, 2021 press release and Form 8-K, which can be found on the company's website in the investors section at [www.snapon.com](http://www.snapon.com).

## Who We Are

### OUR MISSION

The most valued productivity solutions in the world

#### BELIEFS

**We deeply believe in:**

- Non-negotiable Product and Workplace Safety
- Uncompromising Quality
- Passionate Customer Care
- Fearless Innovation
- Rapid Continuous Improvement

#### VALUES

**Our behaviors define our success:**

- We demonstrate Integrity.
- We tell the Truth.
- We respect the Individual.
- We promote Teamwork.
- We Listen.

#### VISION

**To be acknowledged as the:**

- Brands of Choice
- Employer of Choice
- Franchisor of Choice
- Business Partner of Choice
- Investment of Choice



# Nick Pinchuk

**Chairman &  
Chief Executive Officer**



# Aldo Pagliari

**Senior Vice President &  
Chief Financial Officer**

# CONSOLIDATED RESULTS – 4<sup>TH</sup> QUARTER

(\$ in millions, except per share data - unaudited)	2020		2019		Change
	\$	%	\$	%	
Net sales	\$ 1,074.4		\$ 955.2		12.5 %
➤ Organic sales	102.1				10.6 %
➤ Acquisitions	7.5				0.8 %
➤ Currency translation	9.6				1.1 %
Gross profit	\$ 516.2	48.0 %	\$ 450.5	47.2 %	
Operating expenses	300.0	27.9 %	279.1	29.3 %	
Operating earnings before financial services	\$ 216.2	20.1 %	\$ 171.4	17.9 %	26.1 %
Financial services revenue	\$ 93.4		\$ 83.9		11.3 %
Financial services operating earnings	68.5		62.2		10.1 %
Operating earnings	\$ 284.7	24.4 %	\$ 233.6	22.5 %	21.9 %
Diluted EPS – as reported	\$ 3.82		\$ 3.08		24.0 %
Diluted EPS – as adjusted*	\$ 3.84		\$ 3.08		24.7 %

- Gross margin of 48.0% improved 80 basis points (bps) from 47.2% last year primarily due to the impact of higher sales volumes and benefits from Rapid Continuous Improvement (“RCI”) initiatives, partially offset by 30 bps of unfavorable foreign currency effects
- Operating expenses as a percentage of sales of 27.9% improved 140 bps from 29.3% last year primarily due to the impact of higher sales volumes
- As a percentage of net sales, operating earnings before financial services of 20.1%, including 30 bps of direct COVID-19-related costs, 10 bps of costs from restructuring actions and 30 bps of unfavorable foreign currency effects, improved 220 bps from 17.9% last year

\* As adjusted to exclude fourth quarter 2020 costs related to restructuring actions in Europe; see reconciliation of non-GAAP Financial Measures starting on slide 14

# COMMERCIAL & INDUSTRIAL – 4<sup>TH</sup> QUARTER

<i>(\$ in millions - unaudited)</i>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Segment sales	\$ 364.4	\$ 352.9	3.3 %
➤ Organic sales	(2.5)		(0.7)%
➤ Acquisitions	7.5		2.1 %
➤ Currency translation	6.5		1.9 %
Gross profit	\$ 137.8	\$ 125.4	
% of sales	37.8 %	35.5 %	
Operating expenses	\$ 81.6	\$ 80.4	
% of sales	22.4 %	22.7 %	
Operating earnings	\$ 56.2	\$ 45.0	
% of sales	15.4 %	12.8 %	260 bps

- Organic sales down \$2.5 million or 0.7%
  - Decrease includes a mid single-digit decline in the segment's Asia Pacific operations and a low single-digit decline in sales to customers in critical industries, partially offset by a double-digit sales increase in the segment's European-based hand tools business
  - Excludes \$7.5 million of acquisition-related sales and \$6.5 million of favorable currency translation
- Gross margin of 37.8% improved 230 bps from 2019 primarily due to the impact of increased sales in higher gross margin businesses and benefits from the segment's RCI initiatives, partially offset by 20 bps of direct costs associated with COVID-19 and 60 bps of unfavorable foreign currency effects
- Operating expenses as a percentage of sales of 22.4% improved 30 bps from last year
- Operating earnings of \$56.2 million, including \$1.0 million of direct costs related to COVID-19 and \$1.3 million of unfavorable foreign currency effects, increased \$11.2 million from 2019; operating margin of 15.4% compared to 12.8% last year

# SNAP-ON TOOLS – 4<sup>TH</sup> QUARTER

<i>(\$ in millions - unaudited)</i>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Segment sales	\$ 494.9	\$ 411.7	20.2 %
➤ Organic sales	81.0		19.6 %
➤ Currency translation	2.2		0.6 %
Gross profit	\$ 212.1	\$ 165.4	
% of sales	42.9 %	40.2 %	
Operating expenses	\$ 118.5	\$ 111.1	
% of sales	24.0 %	27.0 %	
Operating earnings	\$ 93.6	\$ 54.3	
% of sales	18.9 %	13.2 %	570 bps

- Organic sales up \$81.0 million, or 19.6%, primarily reflecting a double-digit gain in both the segment's U.S. franchise and international operations
- Gross margin of 42.9%, improved 270 bps from 40.2% last year primarily due to higher sales volumes and benefits from RCI initiatives
- Operating expenses as a percentage of sales of 24.0% improved 300 bps from last year primarily due to the impact of higher sales volumes and savings from cost containment actions
- Operating earnings of \$93.6 million, including \$1.2 million of direct costs associated with COVID-19, increased \$39.3 million from 2019, and the operating margin of 18.9% compared to 13.2% last year



# REPAIR SYSTEMS & INFORMATION – 4<sup>TH</sup> QUARTER

<i>(\$ in millions - unaudited)</i>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Segment sales	\$ 361.1	\$ 335.0	7.8 %
➤ Organic sales	23.7		7.0 %
➤ Currency translation	2.4		0.8 %
Gross profit	\$ 166.3	\$ 159.7	
% of sales	46.1 %	47.7 %	
Operating expenses	\$ 76.3	\$ 72.5	
% of sales	21.2 %	21.7 %	
Operating earnings	\$ 90.0	\$ 87.2	
% of sales	24.9 %	26.0 %	(110) bps

- Organic sales up \$23.7 million
  - Increase includes a double-digit gain in sales to OEM dealerships and a high single-digit increase in sales of diagnostic and repair information products to independent repair shop owners and managers, partially offset by a low single-digit decrease in sales of undercar equipment
  - Excludes \$2.4 million of favorable foreign currency translation
- Gross margin of 46.1%, including 10 bps of unfavorable foreign currency effects, declined 160 bps from 47.7% last year primarily due to the impact of higher sales in lower gross margin businesses
- Operating expenses as a percentage of sales of 21.2% improved 50 bps from last year primarily due to the impact of higher sales volumes, partially offset by 30 bps related to \$1.0 million of costs from restructuring actions in Europe and 10 bps of unfavorable foreign currency effects
- Operating earnings of \$90.0 million, including \$1.0 million of costs related to restructuring actions, \$0.2 million of direct costs associated with COVID-19 and \$0.2 million of unfavorable foreign currency effects, compared to \$87.2 million last year; the operating margin of 24.9% compared to 26.0% last year

# FINANCIAL SERVICES – 4<sup>TH</sup> QUARTER

<i>(\$ in millions - unaudited)</i>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Segment revenue	\$ 93.4	\$ 83.9	11.3 %
Operating earnings	\$ 68.5	\$ 62.2	10.1 %
Originations	\$ 272.4	\$ 262.4	3.8 %

- Originations increased \$10.0 million or 3.8%
- Average yield on finance receivables of 17.7% compared to 17.5% last year
- Average yield on contract receivables of 8.5% compared to 9.2% last year

# FINANCIAL SERVICES PORTFOLIO DATA

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,539.1	\$ 1,935.3	\$ 203.7	\$ 283.9
Portfolio net losses (TTM)	\$ 42.9	\$ 45.5	\$ 2.7	\$ 3.5
60+ Delinquency:				
As of 12/31/20	1.8 %	1.5 %	0.7 %	0.7 %
As of 9/30/20	1.5 %	1.2 %	0.6 %	0.8 %
As of 6/30/20	1.0 %	0.8 %	0.7 %	1.0 %
As of 3/31/20	1.7 %	1.4 %	0.8 %	1.0 %
As of 12/31/19	1.8 %	1.5 %	0.7 %	0.9 %

- Gross finance portfolio of \$2,219.2 million as of December 31, 2020
  - Full year portfolio growth of \$80.3 million
  - Q4 portfolio growth of \$20.8 million
  
- TTM – Trailing twelve months

# CASH FLOWS

(\$ in millions - unaudited)	4 <sup>th</sup> Quarter		Full Year	
	2020	2019	2020	2019
<b>Net cash provided by operating activities</b>	<b>\$ 317.6</b>	<b>\$ 196.7</b>	<b>\$ 1,008.6</b>	<b>\$ 674.6</b>
➤ Net earnings	213.8	175.0	646.4	711.2
➤ Depreciation and amortization	25.2	23.9	96.7	92.4
➤ Changes in deferred income taxes	0.3	23.5	(8.2)	34.2
➤ Changes in working investment	34.7	(18.8)	99.9	(115.3)
➤ Changes in accruals and other liabilities	10.4	(16.9)	95.6	(97.7)
➤ Changes in all other operating activities	33.2	10.0	78.2	49.8
Net increase in finance receivables	\$ (15.9)	\$ (24.6)	\$ (84.7)	\$ (87.6)
Capital expenditures	\$ (26.5)	\$ (21.6)	\$ (65.6)	\$ (99.4)
Free cash flow	\$ 275.2	\$ 150.5	\$ 858.3	\$ 487.6
<b>Free cash flow from Operations</b>	<b>\$ 238.9</b>	<b>\$ 136.5</b>	<b>\$ 773.1</b>	<b>\$ 420.0</b>
<b>Free cash flow from Financial Services</b>	<b>\$ 36.3</b>	<b>\$ 14.0</b>	<b>\$ 85.2</b>	<b>\$ 67.6</b>
Increase in cash	\$ 135.9	\$ 17.0	\$ 738.9	\$ 43.6

- Changes in working investment – Net changes in trade and other accounts receivable, inventory and accounts payable
- Free cash flow – Net cash provided by operating activities less net change in finance receivables and capital expenditures
- Free cash flow from operations – Net cash provided by operating activities, exclusive of financial services, less capital expenditures
- Free cash flow from financial services – Net cash provided by financial services operating activities, less net change in finance receivables and capital expenditures

# BALANCE SHEET

<i>(\$ in millions - unaudited)</i>	<b>January 2, 2021</b>	<b>December 28, 2019</b>
Trade & Other Accounts Receivable - net	\$ 640.7	\$ 694.6
Days Sales Outstanding	64	67
Finance Receivables - net	\$ 1,666.5	\$ 1,633.6
Contract Receivables - net	\$ 487.2	\$ 460.8
Inventory - net	\$ 746.5	\$ 760.4
Inventory turns - TTM	2.4	2.6
Cash	\$ 923.4	\$ 184.5
Total debt	\$ 1,450.6	\$ 1,149.8
Net debt	\$ 527.2	\$ 965.3
Net debt to capital ratio	12.1 %	22.1 %

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	4 <sup>th</sup> Quarter		Full Year	
	2020	2019	2020	2019
<b>Charges associated with exit and disposal activities (“restructuring charges”)</b>				
Pre-tax restructuring charges	\$ (1.0)	\$ -	\$ (12.5)	\$ -
Income tax benefits	<u>-</u>	<u>-</u>	<u>2.2</u>	<u>-</u>
Restructuring charges, after tax	\$ (1.0)	\$ -	\$ (10.3)	\$ -
Weighted-average shares outstanding – diluted	54.7	55.4	54.8	55.9
Diluted EPS – restructuring charges	\$ (0.02)	\$ -	\$ (0.19)	\$ -
<b>Benefit related to the settlement of a litigation matter (“legal settlement”)</b>				
Pre-tax legal settlement	\$ -	\$ -	\$ -	\$ 11.6
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.9)</u>
Legal settlement, after tax	\$ -	\$ -	\$ -	\$ 8.7
Weighted-average shares outstanding – diluted	54.7	55.4	54.8	55.9
Diluted EPS – legal settlement	\$ -	\$ -	\$ -	\$ 0.15

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	4 <sup>th</sup> Quarter		Full Year	
	2020	2019	2020	2019
<b>Operating earnings before financial services</b>				
As reported	\$ 216.2	\$ 171.4	\$ 631.9	\$ 716.4
Restructuring charges	1.0	-	12.5	-
Legal settlement	-	-	-	(11.6)
As adjusted	\$ 217.2	\$ 171.4	\$ 644.4	\$ 704.8
<b>Operating earnings before financial services as a percentage of sales</b>				
As reported	20.1%	17.9%	17.6%	19.2%
As adjusted	20.2%	17.9%	17.9%	18.9%
<b>Operating earnings</b>				
As reported	\$ 284.7	\$ 233.6	\$ 880.5	\$ 962.3
Restructuring charges	1.0	-	12.5	-
Legal settlement	-	-	-	(11.6)
As adjusted	\$ 285.7	\$ 233.6	\$ 893.0	\$ 950.7
<b>Operating earnings as a percentage of revenue</b>				
As reported	24.4%	22.5%	22.3%	23.7%
As adjusted	24.5%	22.5%	22.6%	23.4%

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions - unaudited)</i>	4 <sup>th</sup> Quarter		Full Year	
	2020	2019	2020	2019
<b>Net earnings attributable to Snap-on Incorporated</b>				
As reported	\$ 208.9	\$ 170.6	\$ 627.0	\$ 693.5
Restructuring charges, after tax	1.0	-	10.3	-
Legal settlement, after tax	-	-	-	(8.7)
As adjusted	\$ 209.9	\$ 170.6	\$ 637.3	\$ 684.8
<b>Diluted EPS</b>				
As reported	\$ 3.82	\$ 3.08	\$ 11.44	\$ 12.41
Restructuring charges, after tax	0.02	-	0.19	-
Legal settlement, after tax	-	-	-	(0.15)
As adjusted	\$ 3.84	\$ 3.08	\$ 11.63	\$ 12.26
<b>Effective tax rate</b>				
As reported	21.8 %	22.3 %	23.2 %	23.4 %
Restructuring charges	(0.1)%	-	(0.1)%	-
Legal settlement	-	-	-	-
As adjusted	21.7 %	22.3 %	23.1 %	23.4 %





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