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Moderator: **Sara M. Verbsky**

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Operator: Good day and welcome to the Snap-on Incorporated 2022 Second Quarter Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Sara Verbsky, Vice President Investor Relations. Please go ahead ma'am.

Sara Verbsky: Thank you, Mary and good morning everyone. Thank you for joining us today to review Snap-on's second quarter 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'll take your questions. As usual, we have provided slides to supplement our discussion. These slides can be accessed under the downloads tab in the webcast viewer, as well as on our website, snap-on.com, under the investor section. These slides will be archived on our website, along with a transcript of today's call. Any statements made during this call relative to management's expectations, estimates, or beliefs, or that otherwise discuss 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. Any 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. Finally, this presentation includes 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 measures is included in our earnings release issued today, which can be found on our website. With that said, I'd now like to turn the call over to Nick Pinchuk. Nick.

Nick Pinchuk: Thanks Sara. Good morning, everybody. As usual, I'll start the call by covering the highlights of our second quarter. Along the way, I'll give you my perspective on our results…once again, they are encouraging…on our markets…they're robust, resilient, and promising, and I'll talk about our progress. We believe we're now stronger than ever. And we'll also speak about what it all means, and we believe it means that we're better positioned for more. A lot more. Then Aldo will go into a more detailed review of the financials. All you have to do is follow the news and you know that we live today in the midst of turmoil…inflation, varying supply, continuing and unpredictable outbreaks, precipitous lockdowns, and a war in the Ukraine. And Snap-on has shown through it all. Wielding our advantages in product, in brands and in people. Progressing down our runways for growth. Engaging our Snap-on value creation, driving improvement, making the most of our resilient markets and extending our positive trajectory. Piercing the turbulence. The story of our second quarter is simply one of rising momentum. We've been meeting the challenges quarter after quarter and we're simply getting even better at overcoming the difficulties, and going forward, we are confident of our capabilities continue to advance, and here are the numbers that say we should be confident.

Our reported sales in the quarter were $1 billion, $136.6 million, up versus last year by $55.2 million or 5.1%, including $32.4 million or 330 basis points of unfavorable foreign exchange. Organic sales growth was 8.4% with gains in every group. And compared to the pre-pandemic levels of 2019, our upward drive is clear as a bell. Versus 2019, sales in the quarter rose 19.5% as reported, and 18.7% organically. This is now eight straight quarters of being above pre-pandemic levels. We believe we're continuing an ongoing trend of accelerating expansion and are building momentum with emphasis, increasing higher and higher, demonstrating that we're only getting stronger every day.

The OpCo operating income of $246.6 million was up $29.5 million and the operating margin, it was 21.7%, up 160 basis points from last year and 170 basis points from 2019. For Financial Services, operating income of $65.3 million compared to the $68.9 million of last year. And that

result combined with Opco for a consolidated operating margin of 25.5%, up 100 basis points from last year and 130 from 2019. And EPS was $4.27, up 13.6% from last year and 32.6% above the comparable pre-pandemic level recorded in 2019 of $3.22 cents. You know, I've been saying in this since the third quarter of 2020, and I'll say it again. We believe that Snap-on is stronger now than when we entered this great withering and the second quarter numbers say it's so.

Now let's talk about the markets. Auto repair remains positive. Most, if not all of our key indicators are quite favourable. Spending on vehicle maintenance and repair, up. Number of techs, up. Mechanic wages, up. The techs are optimistic about their prospects and about the greater need for their skills. There's new technologies, new complexities advanced across the car park, and we saw confirmation in that broadly held belief for several quarters now as the number of automotive repair technicians continue expanding upward period after period higher now than in any of the last three decades. And when I speak with shop owners and managers as I often do, it's clear that there's a need for more. Many more. And at Snap-on, we love it. Vehicle repairs is a strong and resilient market, a feeling that's also reinforced by our franchisees. You can see it in their numbers. And you can hear it in their voices. We believe they're more prosperous than ever.

Besides franchisees and technicians, there's vehicle repair shop owners and managers. This is RS&I's arena. Demand for new and used cars is high, but supplies are limited. It's a well-known story. The pandemic has impacted the auto supply chain. Sure. But it doesn't matter. Lots of new cars or scarcity of new vehicles. The car PARC is large, aging, getting more complex and demand for repair remains strong come heck or high water. And the shops are seeing this clearly and starting to invest to meet the current need and get ready for the future. The variety of drivetrains is expanding…internal combustion, hybrid, plugin, plugin electric, full electric, and every day there's more driver assistance and more vehicle automation increasing vehicle complexity. Shops now have a greater need for new and updated equipment, and they're becoming more and more reliant on service and repair information to guide them through the

galaxy of new requirements and procedures. It's all music to our ears, actually, because Snap-on makes great tools and equipment, and it's clearly repair information headquarters. RS&I has taken advantage of that trend, creating new equipment offerings, and advanced data-based solutions. We now have a strong array of products in that vital area. Mitchell 1 Repair Information software and shop management software, SBS electronic parts catalogs, our Dealer-FX shop management technologies, electric vehicle health check solutions, and our heavy duty and Fast-Track Intelligent Diagnostic hardware. These are big databases and getting more powerful and easier to use helping the shop to fix it right the first time and efficiently. The repair shop is changing, rising in complexity and RS&I has the products to match it.

Finally, let's talk about critical industries where Snap-on, you know, we say Snap-on rolls out of the garage, solving tasks of consequence, and we do. This is C&I territory, our most international operation, and it's where we see the most continuing impact of the pandemic, and its children, like supply chain disruption and inflation, where customers have been slower to accommodate, where headwinds are still persisting, and where our monthly SKU product offerings are particularly impacted by supply chain challenges. I suppose everybody knows about the two-month lockdown in Shanghai. That area is a significant C&I business center and it's also a key transportation hub for our China factory, so the lockdown was an obstacle. And beyond that focused event, C&I is particularly challenged by its considerable geographic reach, jousting with the varying virus impacts and protocols and economic turbulence from country to country. But I would say, if you look at the quarter, the C&I team rose to the occasion and in the quarter, we won gains in North America, in Europe and in Asia, despite the difficulties. So, I describe our C&I markets as representing continuing opportunity, and coupled with automotive repair, we believe our overall markets are robust right now. And there's considerably more opportunity ahead as we move along our runways for growth.

And I can't leave this section about robust progress and abundant possibilities without once again speaking of the engine of our advance, Snap-on Value Creation, particularly in Customer

Connection and Innovation, developing new products and solutions born of the observation gathered right in the workplace. It’s insights that create great new offerings and at the same time help guide the expansion of our franchisees’ selling capacity with better processes, more effective training, and more powerful communication. All of that helped drive our progress. Overcoming the difficulties, accommodating the virus, taking full advantage of the market opportunities, charting a continuing positive trend moving forward, and we're going to keep it going. Well, that's the overview. Now, let's move to the segments.

In the C&I group, sales in the quarter were up 2.5% as reported or $8.6 million versus 2021, and that includes a $25.3 million or a 7.6% organic gain driven by progress across all our divisions. From an earnings perspective, C&I income was $51.7 million, a decrease of $3.8 million compared to 2021. $2.0 million of that was unfavorable foreign currency and the rest represents the impact of supply chain turbulence on the multi–SKU C&I products. The OI margin was 14.4%, down 140 basis points from 2021, but did represent progress in that it's a hundred-point sequential improvement from the last quarter. When compared with the pre-pandemic 2019 periods, sales were up 7.4% organically, and the OI margin of 14.4% was down 20 basis points, but that included an 80-point impact from acquisitions and unfavorable currency.

Now a continuing bright spot in C&I again this quarter was SNA Europe. It did deliver yet another quarter of growth, expanding double digits year over year and well beyond pre-pandemic levels, all against the wind in Europe, with the innovative solutions of our Bahco Ergo Tool Management System leading the way, tailoring products specific to customer needs. You know, Europe is a varied market, and SNA Europe is making increasing gains by matching the products to the specific tasks. And that positive SNA Europe was joined in C&I by valuable contributions from recovering areas in critical industries like aerospace and general industry, and from countries in Asia Pacific like India, Japan, and South Korea, all combined to overcome the decline in slower to recover sectors like the military and natural resources.

We do remain confident in and committed to extending in critical industries. And that commitment is confirmed with great new products. Speaking of product, last quarter to help solve crucial tasks across both critical industries and automotive repair, we strengthened our 14.4 volt Micro Lithium power tool line-up with the new Snap-on CT861 ⅜" impact wrench. It's very attractive, but it's also quite functional. Featuring a compact design to reach tight spaces, a nylon-based housing for rugged durability, and a special toggle switch trigger for precise control. The new unit also includes a Tri-Beam headlight for broad illumination of the entire work area. Now that's a feature that makes complex multi-point jobs much easier in the low light conditions that often occur in the workshop or in road repair. You can imagine it.

The impact wrench also delivers a robust 225-foot pounds of bolt breakaway torque, and it's controlled by a variable speed drive so the operator can apply just the right force for each job. And a 14-volt battery with its 2.5-amp hours ensures consistent output and an extended run time which makes for a lot more efficient workday. The CT 361 began shipping early in the quarter and it was right on target, quickly becoming a million-dollar hit product. and it sold out in what seemed like a blink of an eye. Great product. Well, that's C&I. A promising quarter. Volume up nicely, starting to overcome the turbulence, moving down its runways for growth.

Now, for the Tools Group. Sales of $520.6 million up $36.5 million, including $7.7 million of unfavorable currency and a 9.3% organic gain. And the operating margin, 23.9%, up 250 basis points. Compared with pre-virus 2019, sales grew $114.8 million, including a 28.1% organic gain. And this quarter's 23.9% operating margin was up 630 basis points compared with those pre-virus numbers, coming out of the pandemic stronger indeed. Another positive quarter for the Tools Group with growth across all product lines. And beyond this, we see further indications of continuing strength, other data, like the franchisee health metrics which we monitor every quarter. They remain quite favorable and on a clearly positive trend. We do believe our van network remains quite strong and it's not just the numbers. Just a few weeks ago, I spent time with a couple of dozen franchisees representing the regions on our U.S. and Canadian National

Franchisee Advisory Councils. And they were motivated and prosperous, enthusiastic about their current performance, positive about the trajectories of the other vans in their various areas that they represent, and very optimistic about their prospects for even more going forward. They believe in their opportunities, and they are confident of their future. The Tools Group. Strong quantitatively and qualitatively. And that positivity was not just internal. Once again, this quarter it was reinforced by the external view. Snap-on was recognized again this year among the top 50 in the franchise industry by *Entrepreneur Magazine*. And once again in that ranking, we rated at the top of the tools distribution category, a place we've had for some time. And this type of recognition reflects fundamental contemporary strength of our franchisee and of our overall mobile van network. It is a powerhouse business.

And that momentum would not have been achieved without a continuous stream of unique new products. And one of those that helped drive our hand tools up again this quarter, was our new Long Nose Slip Joint Pliers. It's a special tool with our patented 3-position joint, precisely machined for effortless switching and control. It allows the pliers to keep the jaws parallel, increasing the contact with the work piece. It's got a relocated joint, optimized handle shape, and unique Talon Grip serrated jaws. With all of that, our new pliers provide over 50% more pulling power. The machined and hardened teeth are sharp and strong and present three different gripping geometries, from heavy serration at the base, to fine grooves at the tip. Great variability for multiple applications. You can apply different parts of the jaws. They're manufactured right here in our Milwaukee factory, and they’re fashioned from special cold-forged alloy steel for greater durability and strength. These pliers were launched at the beginning of the past quarter, and they've been very well received. When I talked to the franchisees at the NFAC, they said, "They're flying off the truck." And they're right. The sales have already made a hit product status just in one quarter. Our new offerings are in fact making a difference in the Tools Group. You can't miss it in the numbers. Eight straight quarters above pre-pandemic levels. The Tools Group is moving onward and upward with eye-catching momentum. And you know, if you look at the numbers or spend any time with the team, you believe it's all systems go, and it is.

Now on to RS&I. Sales were up 4.6% or $18.2 million versus last year, including $27.4 million or a 7.0% organic uplift with double-digit growth in under car equipment, with diagnostics and information advancing, and with the dealership activity flat. From an earnings perspective, RS&I operating income of $95.7 million represents a rise of $9.0 million or 10.4%. And the operating margin was 23.0%, up 120 basis points from last year. Compared with 2019 sales were up 19.5% as reported, and the organic growth was $58.0 million or 16.8% with strong advances in under car equipment and in diagnostics and information products. For profitability, the OI margin of 23.0% was down 240 basis points versus 2019, pretty much reflecting a 110-point impact just from acquisitions and the effect of the margin dilutions from the higher sales of under car equipment that we've been seeing.

We believe RS&I has great opportunities and we're fortifying its way forward with new products like our Hofmann 609 aligner, specifically designed for independent general repair shops, where alignment is, you know, it's not currently a primary focus and the space is short. The new offering allows those all-purpose garages to keep the low-volume alignment business in-house, with its compact footprint and portability kit enabling easy storage when not in use and efficient deployment when alignment is actually needed. It saves a lot of space, but it gets the job done. With our latest 3D system authoring OEM-approved accuracy, the 609 enables the handling of even the most complex alignment systems by those general repair shops. It generates a high return on the investment, doesn't occupy space often needed for other repairs, and it fortifies the garage's reputation for technical capability. It's a great value for the general repair shops and they're noticing. Our equipment business has been on a roll with strong, double-digit quarters for some time and the Hoffman 609 aligner is a big player in that mix. RS&I. Approving its position with repair shop owners and managers, growth in under car equipment and diagnostics and information products, and an array of innovative new products and product lines to lead the way.

Well, those are the highlights of our quarter. Tools Group, strong progress, everywhere. Unmistakable strength. C&I are recording a positive performance against the variations across

industries and geographies. And RS&I, expanding profitable volume with repair shop owners and managers. Snap-on overall sales, rising markedly, both versus last year at 8.4% organically and up 18.7% organically compared with pre-pandemic levels. Continuing a clear positive trajectory. OpCo operating margin a strong 21.7%, rising again this quarter, up 160 basis points. EPS $4.27, up versus last year, up versus last quarter, and up versus pre-pandemic levels. It was an encouraging quarter. Now I'll turn the call over to Aldo. Aldo.

Aldo Pagliari: Thanks Nick. Our consolidated operating results are summarized on slide six. Net sales of $1 billion, $136.6 million in the quarter increased 5.1% from 2021 levels, reflecting an 8.4% organic sales gain, partially offset by $32.4 million of unfavorable foreign currency translation. The organic sales gain this quarter reflects high single-digit growth in each of the company's segments and compares to an 8.0% year-over-year organic increase recorded last quarter. Consolidated gross margin of 48.7% remained the same as last quarter but declined 150 basis points from 50.2% last year. Higher material and other costs were partially offset by contributions from the increased sales volumes and pricing actions, as well as from benefits from the company's RCI initiatives and 30 basis points of favorable foreign currency effects. Again this quarter, we believe the corporation, through pricing and RCI actions, continued to navigate effectively the cost and other supply chain dynamics of the current environment.

Operating expenses as a percentage of net sales of 27.0% improved 310 basis points from 30.1% last year. The improvement is primarily due to higher sales volumes, savings from RCI initiatives and lower costs associated with stock-based expenses. Operating earnings from financial services of $246.6 million in the quarter compared to $217.1 million in 2021. As a percentage of net sales, operating margin before financial services of 21.7%, improved 160 basis points from last year and was up 140 basis points sequentially.

Financial services revenue of $86.4 million in the second quarter of 2022, compared to $86.9 million last year. Operating earnings of $65.3 million decreased $3.6 million from 2021 levels, primarily as a result of higher provisions for credit losses than those recorded last year.

Consolidated operating earnings of $311.9 million, compared to $286.0 million last year. As a percentage of revenues, the operating earnings margin of 25.5% improved 100 basis points from 24.5% in 2021. Our second quarter effective income tax rate of 23.8% compared to 23.3% last year. Net earnings of $231.5 million or $4.27 per diluted share increased $23.5 million or $0.51 per share from last year's levels, representing a 13.6% increase in diluted earnings per share.

Now let's turn into our segment results. Starting with the C&I Group on slide seven, sales of $359.1 million increased from $350.5 million last year, reflecting a $25.3 million or 7.6% organic sales gain, partially offset by $16.7 million of unfavorable foreign currency translation. The organic growth primarily reflects double-digit gains in the segment's European-based hand tools business and Asia Pacific operations, as well as a mid single-digit increase in sales to customers in critical industries. Within critical industries, solid gains in general industry and international aviation more than offset lower sales to the military. Gross margin of 37.3%, although improving sequentially, declined 220 basis points from 39.5% in the second quarter of 2021. This is primarily due to higher material and other input costs being partially offset by the benefits from higher sales volumes, and pricing actions and savings from the segment's RCI initiatives. Operating expense as a percentage of sales of 22.9% in the quarter improved 80 basis points from 23.7% in 2021, primarily due to the effects of higher sales volumes. Operating earnings to the C&I segment of $51.7 million compared to $55.5 million last year. The operating margin of 14.4% compared to 15.8% a year ago.

Turning now to slide eight. Sales in the Snap-on Tools Group of $520.6 million increased 7.5% from $484.1 million in 2021, reflecting a 9.3% organic sales gain partially offset by $7.7 million of unfavorable foreign currency translation. The organic sales growth reflects a double-digit gain in

our U.S. business and a low single-digit increase in our international operations. In the U.S., sales were up across all product lines and included particularly robust sales of tool storage in the quarter. Gross margin of 46.0% in the quarter compared to 45.5% in the first quarter of this year but declined 80 basis points from 46.8% last year. The year-over-year decline is primarily due to higher material and other costs and 10 basis points of unfavorable foreign currency effects, partially offset by benefits from higher sales volumes and pricing actions. Operating expenses as a percentage of sales of 22.1% improved 330 basis points from 25.4% last year, reflecting the benefits from higher sales volumes and savings from RCI initiatives, and including the effects of lower expenses associated with the company's franchisee stock purchase program. Operating earnings for the Snap-on Tools Group of $124.4 million, compared to $103.5 million last year. The operating margin of 23.9% improved 250 basis points from 21.4% a year ago.

Turning to RS&I Group, shown on slide nine. Sales of $416.8 million compared to $398.6 million a year ago, reflecting a 7.0% organic sales gain, partially offset by $9.2 million of unfavorable foreign currency translation. The organic gain is comprised of a double-digit increase in sales of under car equipment and a low single-digit gain in the sale of diagnostic and repair information products to independent shop owners and managers. Activity with OEM dealerships was essentially flat. Gross margin of 43.2% declined 150 basis points from 44.7% last year. This is primarily due to higher material and other input costs and increased sales in lower gross margin businesses. These declines were partially offset by benefits from pricing actions and savings from RCI initiatives, as well as from 50 basis points of favorable foreign currency effects. Operating expenses as a percentage of sales of 20.2% improved 270 basis points from 22.9% last year, primarily due to benefits from sales volume leverage, including higher activity in lower expense businesses and savings from RCI initiatives. Operating earnings from the RS&I group of $95.7 million compared to $86.7 million last year. The operating margin of 23.0% improved 120 basis points from 21.8% reported a year ago.

Now turning to slide 10. Revenue from Financial Services of $86.4 million, including $800,000 of unfavorable currency translation, compared to $86.9 million last year. Financial Services operating earnings of $65.3 million compared to $68.9 million in 2021. Financial Services expenses of $21.1 million were up $3.1 million from 2021 levels, mostly due to $2.4 million of increased provisions for credit losses. While provisions have increased versus a historically lower provision rate experience last year, loan portfolio trends remained stable. As a percentage of the average portfolio, Financial Services expenses were 1.0% and 0.8% in the second quarters of 2022 and 2021, respectively. In both the second quarters of 2022 and 2021, the average yield on finance and contract receivables were 17.5% and 8.5% respectively. Total loan originations of $307.6 million in the second quarter increased $21.8 million or 7.6% from 2021 levels. Reflecting an 11.0% increase in originations of finance receivables, partially offset by a decrease in the origination of contract receivables.

Moving to slide 11. Our quarter end balance sheet includes approximately $2.2 billion of gross financing receivables, including $1.9 billion from our U.S. operation. The 60 day plus delinquency rate of 1.4% for U.S. extended credit is the same as comparable pre-pandemic period of 2019 and reflects the seasonal improvement we typically experience in the second quarter. As it relates to extended credit or finance receivables, the trailing 12-month net losses of $40.4 million represented 2.33% of outstandings at quarter end, which is down slightly from the 2.34% reported at the end of last quarter.

Now turning to slide 12. Cash provided by operating activities of $140.8 million in the quarter, compared to $238.2 million last year. The decrease from the second quarter of 2021 primarily reflects an $87.7 million increase in working investment. The change in working investment dollars is largely driven by greater demand, including increases in receivables and higher levels of inventory this year. In addition to demand-based requirements, the inventory increase also reflects higher in-transit inventory amounts, as well as incremental buffer stocks associated with the supply chain dynamics in the current macro-environment. Net cash used by investing

activities of $73.8 million included net additions to finance receivables of $53.5 million and capital expenditures of $21.3 million. Net cash used by financing activities of $112.2 million included cash dividends of $75.7 million and the repurchase of 251,000 shares of common stock for $53.8 million under our existing share repurchase programs. As of quarter-end, we had remaining availability to repurchase up to an additional $420.8 million of common stock under existing authorizations.

Turning to slide 13, trade and other accounts receivable increased $46.8 million from 2021 year-end. Days sales outstanding of 60 days compared to 58 days at 2021 year end. Inventories increased $89.5 million from 2021 year-end and on a trailing 12-month basis inventory turns of 2.7 compared to 2.8 a year end 2021. Our quarter end cash position of $812.9 million compared to $780 million at year-end 2021. Our net debt to capital ratio of 8.3% compared to 9.1% at year-end 2021. In addition to cash and expected cash flow from operations, we have more than $800 million available under our credit facilities and as of quarter end, there were no amounts outstanding under the credit facility and there were no commercial paper borrowings outstanding. That concludes my remarks on our second quarter performance. I'll now briefly review a few outlook items for 2022. We anticipate that capital expenditures will be in the range of $90 million to $100 million. In addition, we currently anticipate absent any changes to U.S. tax legislation, that our full year 2022 effective income tax rate will be in the range of 23 to 24%. I'll now, turn the call back to Nick for his closing thoughts. Nick.

Nick Pinchuk: Thanks Aldo. Well that's our second quarter. Markets that are resilient and getting more robust by the day. These are interesting times indeed. Pandemic, inflation, supply interruptions, a war, and pop-up lockdowns, but Snap-on brings to this turbulence considerable advantage in product, in brand and in people. It's enabled our team to cut through the turbulence, continuing a positive direct trajectory. And you can see it in the performance. C&I on a growth path again with a 7.6% organic increase despite being our most impacted business. RS&I gains with repair shop owners and managers, driven by hardware and its expanding information portfolio. Sales up 7.0%

organically and an OI margin of 23%, up 120 basis points from last year. And the Tools Group. Gangbusters results. Sales up 9.3% organically versus last year and up 28.1% versus 2019. Eight straight quarters above pre-pandemic levels and an OI margin of 23.9%. And it all came together for overall Snap-on organic growth of 8.4%, an OI margin of 21.7% and an EPS of $4.27. All high-water marks despite the turbulence. It was an encouraging quarter and we emerged from that period with rising momentum. It is a turbulent time, but Snap-on is driven by attractive markets, by unique strengths, and by an experienced and capable team that's achieved clear and consistent performance and period by period has become stronger and stronger in navigating the issues of the day. And we believe these inherent advantages will continue to prevail as we go forward on a clear and upward trajectory through the remainder of this year and well beyond.

Before I turn the call over to the operator, I'll speak directly to our franchisees and associates. I know they listen in. A corporation is an organization where people come together to create a benefit for themselves and others that they could not author individually. You've done just that again this quarter. For your success in that endeavour you have my congratulations. For the energy and the skill you bring to our efforts you have my admiration. And for the commitment you unfailingly demonstrate to our team, you have my thanks. Now I'll turn the call over to the operator. Operator?

Operator: Thank you. If you do wish to ask a question at this time, please signal by pressing star one on your telephone keypad. Please ensure the mute function on your telephone is switched off to allow your signals to reach our equipment. Again, please press star one to ask a question. And we can take our first question now from Scott Stember of MKM partners. Please go ahead.

Scott Stember: Good morning and congrats on the very strong results.

Nick Pinchuk: Thanks Scott.

Scott Stember: Can we talk about Tools? You mentioned that everything was up and it sounded like tool storage had another very strong quarter. Was that related to the new mobile cart and maybe just try to size up how big, you know, tool storage was in the quarter and trying to figure out how [inaudible].

Nick Pinchuk: I think if you start worrying too much about quarter to quarter, Scott, you go hickitty, bickitty boo around here, you know, because things change depending on the models you bring out. But I'll say that tool storage was the leader. It was double digits, a nice quarter, and it can, you know, and a factor, what happened this time was, we started to get more of the bigger boxes out, the EPIQ and the Master series. We had some great new offerings, our super nova Master series with the electric blue and the copper trim. That seemed to be very popular. So it was a great quarter, carts continued to be strong, but EPIQ, you know, the bigger boxes, the regular tool storage boxes, which we call roll cabs, were what made the difference. So it it was a pretty good quarter. The Tools Group really did have a great quarter. By the way. Did I mention that the Tools Group OI margin was 23.9% in a quarter? I think I mentioned that. I think that says it all, I tell you. And by the way, in the quarter hand tools were also up. You know? So that's a nice factor for us. Up strongly. But the big star in the quarter…

Scott Stember: Go ahead, I'm sorry.

Nick Pinchuk: Go ahead, go ahead.

Scott Stember: I was going to ask you about the sell into the van and off the van, you know, the inventory situation right now on the van?

Nick Pinchuk: Yeah. Look, the inventory inventories are up but the guys are crying for more inventory when I go out there and their inventory turns are substantially below pre-pandemic levels. You

know? So the inventory trends are higher at this time. And not below pre-pandemic levels, they're above pre-pandemic levels, so they're substantially higher at this time and the sell through was better this quarter than it was last quarter. You know, when you look at it overall, it seems to be right in line with our overall sales. So we think it's moving along nicely. I do believe our guys want more inventory. I do believe they want more and I would say in our businesses there's still, you know, we've got a little better at delivering, but we'd still like to–we still have a pretty good backlog. People are clamouring for our products still.

Scott Stember: Got it. And then lastly, in RS&I you talked about under car doing really well. Is that related to the collision part of the business? Or is that just across the board?

Nick Pinchuk: Well, it's across the board, but the collision business has been a star. You know, we acquired Car-O-Liner a few years ago and we anticipated that collision with the deployment of the neural network around the sensors, around the sort of driver assist systems, would make collision a very lucrative area. And it seems to have played out. So collision is among the top for under car equipment. But generally it's all rolled pretty well. The independent repair shops are optimistic. They're seeing their, well, I said it in my call you know, investment, spending up, technicians up, wages up, they can see it all coming through. So they're white hot in terms of their optimism in terms of the situation. So get them to invest more. That's what you're seeing in under car equipment.

Scott Stember: Got it. Thanks for taking my questions.

Operator: We can now take our next question from Luke Junk of Baird. Please go ahead.

Luke Junk: Good morning. Thanks for taking the questions. First, wanted to ask about originations, this one positive this quarter. Up nicely both year and year end. Up really strong sequentially. Find some fits and stars recently. Can you just give us a peak under the hood there in terms of what's

driving that? Do you think it's sustainable and what if any impact did last quarter's system breach have on the numbers this quarter?

Nick Pinchuk: Last quarter I don't think had any impact on this quarter. It was mostly in the last quarter where you saw it might have had some impact on originations, because last quarter from a sales point of view, there was a skewing toward the back end of the quarter because the breach was in the early parts of the quarter. So you saw that going out. And as I said last time, we thought we had pretty robust sales in some of the big ticket items, but they hadn't made their way through the vans yet, necessarily. And that probably worked out this quarter. I think the big driver though, Luke is the product, I think, you know, the optimism of the technicians and the product itself. I think what does drive originations is the view of people saying, "Wow, I really like these EPIQ boxes, I got them." And we had them more available now, getting better at delivering them. During the pandemic you had some fits and starts so we're pushing a little more carts and now we have a little bit more of the basic roll cabs. So I think that's what drove the higher originations in this time. We still see, you know, pretty good RA you know, the finance by the franchisees seemed pretty solid. That wasn't down and of course, that was pretty strong. As I said, hand tools were up. So I think it's pretty much product driven.

You know, what you see in the Tools Group. I mean, the Tools Group is on a pretty big momentum. If you look back over pre-pandemic levels, they're up 9.0% in, what was that, Q4 2020. Then 15, then 17, then 21, then 22, then 24 and 28% this quarter. And by the way, they came through the quarter, they exited the quarter strong. They're on the Mo-train. They've got momentum rolling. And so, I feel pretty good about that. And that's playing out in some of the now broader product lines in tool storage. We did, as I said in the last call, that doesn't mean that carts were down any, they were still strong in the quarter. Just that the roll cabs got bigger.

Luke Junk: That's very helpful. Thanks for that, Nick. And then, second question within RS&I I'll ask on under car equipment again. It's been an area of consistent strength in that business, going all the

way back to the start of 2021. We count six straight quarters of double-digit growth overall. Where do you think we are in the investment cycle there realizing that that growth has been weighing on our RS&I gross margins and looking forward to, you know, some point when that starts to normalize, how quickly would you anticipate higher software margins starting to come through at that point as well?

Nick Pinchuk: Well, I think higher software margins are, you're going to see it. One of the things you're seeing in our–remember we said, we're pivoting away from titles where we sold updates. We call them titles, but they're basically updates on software every six months. We're pivoting to a subscription business. So that tends to stretch out your revenues a little bit differently, it affects your revenues in the quarter. And so, our subscriptions are up deep. Our subscribers are up deep double digits in this quarter year over year. So that seems to be working for us. So we are pretty pumped about the possibilities in that. But, you know, you have some I guess I would say recognition questions as you go through this period, so you don't quite see it coming through, but I can see it coming through in the future. And as I said, with the array of electronic products, we have around software, from the diagnostic software to the Mitchell 1 software, to Dealer-FX, to electronic parts catalogs to vehicle checks, we feel we are repair information headquarters and it's going to become bigger, and we're going to see it roll through that business earlier.

Now, if you ask me, do I expect to see the equipment business attenuate? I hope not. I'm not hoping for it, you know, just cause it's low margin doesn't mean I don't want the profits. I do. And I could see that going. That was down for–you might remember it was down, it was pretty much flat on its back for a couple of quarters, couple or three quarters earlier. And it's bouncing back from that. We've seen a lot in independent repair shops and I would figure after the dealerships start to get used to this situation, I think they're a little discombobulated by the low supply and what are they doing associated with this, so they're a little more reluctant in this situation. When they come online, I think that'll be even greater.

Luke Junk: And if I could just sneak one more in maybe this one would be good for Aldo to tackle. Could you just remind us of how rising interest rates affect the credit company, both in terms of funding, if at all, in the rates that you charge. In particular, just wondering if there's anything that you think is misperceived that you'd want to address about a rising interest rate environment? Thanks.

Aldo Pagliari: Thanks for the question, Luke. Actually has a little effect. If anything, it might create a more favorable environment. And why do I say that? Again we fund long. So if you look at Snap-on's balance sheet, we don't fund day-to-day. So the rising interest rates do not have a foreseeable immediate impact on our borrowing capability. Because as you could see, there's plenty of cash on the balance sheet and there's nothing that's coming due for quite some time. So we're stable in terms of the cost of our funds going into that business. Our stated rates have been pretty consistent really for a decade plus. So they're not the lowest rate out there, but they're lower than what might be available to people that are on a credit card format and things of that nature. So we think our rates are appropriate for the credit profile of the customers that we serve. We think that those types of customers recognize that, so we're the kind of the lender of choice if they do decide to engage in any type of lending activity. And I think because we provide that stability, it gives a little bit of form of reassurance. So as interest rates go up, competitors rates, if they were ever considering them – and when I say competitors I'm thinking of the things like credit cards – those interest rates are going to going up for people that are in the subprime category. So we're going to be pretty stable and our approach is going to be pretty consistent. Yet I think the competition’s rates might be going up, which you're going to argue maybe creates a slightly more favorable environment.

Luke Junk: Okay. I will leave it there. Thank you for all the covering this morning.

Operator: We can now take our next question from Bret Jordan of Jefferies. Please go ahead.

Bret Jordan: Hey, good morning guys.

Nick Pinchuk: Morning.

Bret Jordan: When you think about the organic growth and obviously a pretty inflationary environment, could you talk about, you know, sort of what the contribution from units are versus the contribution from price and then I guess the follow up, I think you meant, well, I'll ask that first then I'll ask the follow up.

Nick Pinchuk: Go ahead, go ahead. As a follow up, what?

Bret Jordan: The follow up, I think you called out, I think in C&I and RS&I sort of inflation in some of the cost of goods. And could you sort of talk about where you're seeing, is it metals, labor, where you're seeing inflation and what you can do to sort of pass that through and the timing of that?

Nick Pinchuk: No, by the way, just I have a better–the Tools Group will execute me if I leave this conference call not saying that they also have inflationary impacts on and prices going up, so it's not just RS&I and C&I. They also have to deal with that. And I got to give them credit for that. But look, here's the thing, it's hard for us to determine because, we know we have some pricing, but it isn't the majority of it. Looking at our factories, we know we have products in demand. They're rolling off there and our guys are up to their eyeballs in demand. So we know that that's a positive situation. The other thing is it's hard because you know, we have list prices, but the list prices vary from product to product and they come out on an average, you might say, you're raising sales three and a half percent or something like that, but it's product to product. And then overlaying on top of that, we have a lot of new tools. We keep rolling new tools. In fact, million-dollar tools we have dozens a quarter rolling out across the network and then we have promotions that occur week to week and they can be lean or rich and taking up the big effects. So it's hard for us to say. I would say the minority of the increase is in pricing. And the majority is in volume for us. We think that's the situation in this situation in our environment. And it varies from group to group and so on.

Now, if you talk about where we're getting the biggest impact, our biggest inflationary impact Bret, is trying to buy on the spot market. Because we've said we want to deliver the best we can. We have demand, we want to deliver, we're not keeping up with all the demand. So we're buying like chips on a spot market and that can go, that can fluctuate wildly. We buy components for power tools and other things on a spot market. That can move wildly. If you look at commodities, I would say, look, we buy several, many grades of steel, but if you look at steel for tool storage and steel for let's say lifts, hot rolled and cold rolled. You know, they're both coming off a little bit. They're getting a little better. They're coming down. If you look at steel for hand tools, it's at its top level. Now they're still not back to the steady levels, but they backed off a little bit. The steel for hand tools, which we call rod steel, that's pretty much reached the top level and it's flattened out, but it hasn't abated for us yet. And we're not seeing too much abatements in freight. So you see those kinds of things flowing through. I would expect this stuff as, I believe, that as the COVID turbulence, the micro viscosities stop happening, you're going to see this stuff start to drift downwards because you're not going to have the interruptions in supply and therefore it's going to get more regular and therefore the prices are going to come down. But I don't have a crystal ball on that. That's sort of our view of the situation.

Bret Jordan: Okay. If you were to think about your price inflation, your sticker price inflation, year to date, you know, I guess how would you–is it a mid-low, mid-single digits on pricing?

Nick Pinchuk: You know, it's hard for me to say, because it changes. It's all over the map, depending on where you are. In the Tools Group you have a list price. In the other places, your pricing product by product and it depends on the size of the product and a lot of different things. So, all I'm saying is, I think if you wanted to step back and you look at our pricing, it's the minority of our growth.

Bret Jordan: Okay, great. Thank you.

Nick Pinchuk: Mostly getting share, getting volume out of it. Right. Okay.

Operator: And we can now take our next question from Christopher Glynn of Oppenheimer. Please go ahead.

Christopher Glynn: Hey, thanks. Good morning.

Nick Pinchuk: Hi Chris.

Christopher Glynn: Nick, hey, some pretty strong comments on the momentum and tenor across the Tools Group. I did want to drill down into that in terms of, you know, the relative contributions of market penetration and overall kind of advancing into technicians, not traditionally served versus a revenue per technician type of equation.

Nick Pinchuk: Yeah, we don't have, It's hard for us to get a handle on all of that because you tend to start out with people at lower levels. But we are adding technicians. I can't parse the thing for you. We're certainly aiming at that and it's being successful, but we're also selling more to the existing technicians because, their wages are going up. They're getting more optimistic. You know? So it's not a situation where we see static activities. I will say the number of technicians we have on the books are going up. And that includes some new people. So that's about all I can give you on that. I think there are both things in play in this situation. Because of the optimism. Okay? And so it makes sense. I just want to add this Chris, because it makes sense, because we believe it's great for us to get new technicians. And that's one component of growth that I've talked about for a dog's age here. But it's also in this environment clear that existing technicians, young or old, are going to need new products and they're actually going to need more, a greater array of these products, as you get more in different power trains, as you get more of these automated features

in the system. So we anticipate both effects being lucrative forward motion, so it'd be wrong to think that either one was maybe, to think that they weren't both good avenues for growth.

Christopher Glynn: That makes sense. Yeah. It was kind of meant to particularly drill into the expanding tech roles. That's great. And then on C&I, clearly a stronger quarter year over year and sequentially versus kind of the trends we're seeing the past few quarters. We're a little more kind stable, steady. So wondering if your sense of things getting rolling there, versus you know, you kind of got a bit more out the door this quarter?

Nick Pinchuk: No, I don't. Well, we like to think we got a bit more out the door, but I don't think that's it. I think we're making a little bit of penetration. As I tried to say in our remarks, we're getting better at handling the turbulence. I like to say we're not as dumb as we look. And a lot of people would say that would be impossible. But we're kind of learning quarter by quarter and C&I has the longest learning curve because they have the most impact of all this stuff that's happening. I mean, C&I's in Shanghai, you know, they're the one thing–by the way, we're up in Asia, in C&I. So they did pretty well in that regard. So what we're seeing is, we're seeing our ability to manage the turbulence better, we're also seeing some warming. Like in this quarter, one of the things I was very encouraged by is that the military wasn't down as much in the quarter. The military's kind of coming back. It's still down. You know what I mean? I'm still, I don't like it. But it's coming back so it wasn't as big of a hole this quarter as it has been in the past. And also general industry. I don't know if you saw that comment, general industry was up and aviation in total was up, particularly international aviation, believe it or not. So general industry, which implies the widest category for us in terms of that, that hit so many different segments. And that was up strongly. So I kind of think the critical industries are coming, getting stronger, recovering from the impact. And so we feel pretty good about that. And our businesses are getting better.

Now, that's why we were particularly pleased about the 7.6% growth organically in C&I. That gave us great encouragement. And in reality, the 14.4%, yeah, it was down 140 basis points year

over year. But you know, 14.4% ain't chop liver for C&I. It's not so bad. And it was up a hundred basis points versus last quarter and down 20 versus 19 against a pretty severe impact of acquisitions and currency, I think it was 80 basis points. So those data points were pretty good for us. We were encouraged by it.

Christopher Glynn: Great. Thanks for the call.

Nick Pinchuk: Sure.

Operator: And we can now take our next question from Gary Prestopino, Barrington Research. Please, go ahead.

Gary Prestopino: Hey, good morning everyone.

Nick Pinchuk: Gary, how are you?

Gary Prestopino: Oh, I am just fine. Thanks. Hey Nick, just a question as it evolves with all the hybrids and electric vehicles that are starting to come into the car parc or have been in the car parc for years now. With your product set there, right now are you seeing demand from technicians for specific hand tools or more diagnostic and calibration tools in the repair of these kind of vehicles?

Nick Pinchuk: I think you see more demand for the diagnostics. But you also see the hand tools. I think if you look at the, you know, they are in the car parc, but they are–if you look at, it's one thing to look at them versus the sales, but if you look at them in the car parc, it gets to be pretty thin. Not that many garages are seeing a lot of them. So the guys are talking to us about this and we sell hand tools and we sell some diagnostics that have, it's not a special diagnostic form, but it's a diagnostic that would have the capabilities to deal with those things. So you're not seeing, they're still pretty thinly distributed across, unless maybe you're in Southern California or something like

that, or maybe New York city or something. You might see some of those garages, but we're not seeing huge demand. Mostly we're getting ready for what we think will be the demand going forward. We think this is going to be a tidal wave, you know? And so that's one of the reasons why we acquired Dealer-FX to get a look at these things.

Gary Prestopino: Okay, thank you.

Nick Pinchuk: Sure.

Operator: We can now take our next question from Ivan Feinseth of Tigress Financial Partners. Please go ahead.

Ivan Feinseth: All right. Thank you for taking my questions. Congratulations on another great quarter and the great results. When you were talking about like you bring on a new tool and it sold out pretty quickly. How fast can you ramp up? Is it because you didn't anticipate the demand would be so strong? Or you're still dealing with shortages and how quickly can you ramp up for another production run?

Nick Pinchuk: I would say we didn't expect it to be that big. This one, you know, the couple, of course this is an earnings call, so I picked some of the ringers and I put them on. But the thing is, that those guys blew out the doors and we didn't anticipate it being that good, otherwise we would've done a bigger run to begin with. So that's the situation. Just that the demand was really high. Now on top of that, I will tell you that we believe we need more capacity. Because we have demand. So we're looking at that situation wise. And we'll have to go back and try to schedule another run in the hand tool plants, which is already overscheduled, but we'll try to put that in and roll out with some more. Obviously though, if you're doing that, I mean, the reason why we're running the hand tool plants, they got a lot of demand. So we see ourselves as sitting on some further opportunities, if we can just roll out more product. And we're working on it in terms of

expanding the plant. We have an expansion planned for our Milwaukee hand tools plant where this place was built.

Ivan Feinseth: And then, as your franchisees interact with OEM mechanics, what kind of feedback or discussions are they having about preparing to ramp up for new tools to handle the EVs that are, you know, at some point going to [inaudible].

Nick Pinchuk: Look, I think, you know, they're having talks about that, but generally, you're talking about insulated tools. Some of the obvious stuff, like some diagnostic stuff, some insulated tools, some lift tables for the batteries, those kinds of things. And then what'll happen Ivan is, the mechanics don't know yet what they don't know, you know what I mean, about repairing the tool. Those new cars get into the dealerships and the mechanics will discover where they need new tools to deal with it. That's a whole other level of array. So we're talking right now about the common things that you observe from early days from the–you hear from the OEMs or you see the very, very, very early days in the OEM garages. And those are the things that I just talked about, like insulated tools and some diagnostics, some analysis routines, and also some lift tables and other stuff around electric vehicles. And then you're going to hear as the guys start repairing them and say, "Jeez, you know, these particular vehicles are different. I need a special tool to do this." And that's where we start rolling out our activity. We start building more tools to match that. That's the whole other array. And that's when the thing really takes off for us.

Ivan Feinseth: And then I assume you're going to need some kind of new types of lifts to handle the access or battery swapping, because the battery array is….

Nick Pinchuk: Also true. I didn't mention that, but that's right. That's right. That's the thing I didn't mention is handled by another division, but you know that that's also true. A lot of this stuff is, going to the whole equipment line, that doesn't go through the vans, is a whole other issue.

That's going to need new stuff, because these things are heavy Ivan, as you know, being a car expert.

Ivan Feinseth: Well then, I guess then the same thing's going to hold true for undercarriage and collision because the way the EVs are structured and the way you have to repair them around the battery and the whole structure, eventually there's going to be a huge upgrade cycle for undercarriage and collision. Right?

Nick Pinchuk: Correct. Correct. You got it. That's right. I mean the, the batteries are–I think most people don't realize how heavy these batteries are actually. You know, there's a lot of weight underneath that, on that chassis these days. So it's going to be an interesting, it's going to revolutionize garages I believe, as things go out. And again, I want to point out that the OEMs will figure this out early, but then there'll be a lot of unforeseen complications that change it again after your first wave of changes. So we're pretty pumped. That's why I say we're entering the golden age of car repair.

Ivan Feinseth: Yeah. Very exciting. Congratulations again and look forward to ongoing success.

Nick Pinchuk: Okay, thank you.

Operator: This concludes the Q&A session; I would now like to hand the call back to Sara Verbsky for closing remarks.

Sara Verbsky: Thank you all for joining us today. A replay of this call will be available shortly on snap-on.com. As always, we appreciate your interest in Snap-on. Good day.

Operator: This concludes today's call, thank you for your participation. You may now disconnect.