UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-7724

Snap-on Incorporated

(Exact name of registrant as specified in its charter)

Delaware	**39-0622040**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
2801 80th Street, Kenosha, Wisconsin	**53143**
(Address of principal executive offices)	*(Zip code)*

(262) 656-5200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value	SNA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

Class	Outstanding at October 13, 2023
Common Stock, $1.00 par value	52,779,959 shares

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Amounts in millions, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net sales	$ 1,159.3	$ 1,102.5	$ 3,533.6	$ 3,336.9
Cost of goods sold	(581.1)	(569.9)	(1,762.1)	(1,716.5)
Gross profit	578.2	532.6	1,771.5	1,620.4
Operating expenses	(333.0)	(309.1)	(989.5)	(927.2)
Operating earnings before financial services	245.2	223.5	782.0	693.2
Financial services revenue	94.9	87.3	280.9	261.4
Financial services expenses	(25.5)	(20.9)	(78.3)	(59.3)
Operating earnings from financial services	69.4	66.4	202.6	202.1
Operating earnings	314.6	289.9	984.6	895.3
Interest expense	(12.4)	(11.8)	(37.4)	(35.1)
Other income (expense) – net	18.0	13.1	50.0	30.7
Earnings before income taxes	320.2	291.2	997.2	890.9
Income tax expense	(71.1)	(61.7)	(223.9)	(201.5)
Net earnings	249.1	229.5	773.3	689.4
Net earnings attributable to noncontrolling interests	(6.0)	(5.6)	(17.5)	(16.6)
Net earnings attributable to Snap-on Incorporated	$ 243.1	$ 223.9	$ 755.8	$ 672.8
Net earnings per share attributable to Snap-on Incorporated:				
Basic	$ 4.60	$ 4.21	$ 14.29	$ 12.62
Diluted	4.51	4.14	14.00	12.41
Weighted-average shares outstanding:				
Basic	52.8	53.2	52.9	53.3
Effect of dilutive securities	1.1	0.9	1.1	0.9
Diluted	53.9	54.1	54.0	54.2
Dividends declared per common share	$ 1.62	$ 1.42	$ 4.86	$ 4.26

See Notes to Condensed Consolidated Financial Statements.

SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Comprehensive income (loss):				
Net earnings	$ 249.1	$ 229.5	$ 773.3	$ 689.4
Other comprehensive income (loss):				
Foreign currency translation	(52.3)	(127.6)	(34.0)	(247.6)
Unrealized cash flow hedges, net of tax:				
Reclassification of cash flow hedges to net earnings	(0.4)	(0.4)	(1.2)	(1.2)
Defined benefit pension and postretirement plans:				
Amortization of net unrecognized losses	0.1	4.6	0.2	13.8
Income tax benefit	—	(1.2)	—	(3.4)
Net of tax	0.1	3.4	0.2	10.4
Total comprehensive income	196.5	104.9	738.3	451.0
Comprehensive income attributable to noncontrolling interests	(6.0)	(5.6)	(17.5)	(16.6)
Comprehensive income attributable to Snap-on Incorporated	$ 190.5	$ 99.3	$ 720.8	$ 434.4

See Notes to Condensed Consolidated Financial Statements.

SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share data)
(Unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 959.3	$ 757.2
Trade and other accounts receivable – net	776.8	761.7
Finance receivables – net	597.5	562.2
Contract receivables – net	119.6	109.9
Inventories – net	1,032.9	1,033.1
Prepaid expenses and other assets	118.9	144.8
Total current assets	3,605.0	3,368.9
Property and equipment:		
Land	32.6	32.6
Buildings and improvements	436.0	434.7
Machinery, equipment and computer software	1,100.6	1,069.3
Property and equipment – gross	1,569.2	1,536.6
Accumulated depreciation and amortization	(1,044.4)	(1,024.0)
Property and equipment – net	524.8	512.6
Operating lease right-of-use assets	68.7	61.5
Deferred income tax assets	75.6	70.0
Long-term finance receivables – net	1,245.9	1,170.8
Long-term contract receivables – net	399.9	383.8
Goodwill	1,035.9	1,045.3
Other intangible assets – net	263.0	275.6
Pension assets	72.7	70.6
Other assets	12.8	13.7
Total assets	$ 7,304.3	$ 6,972.8

See Notes to Condensed Consolidated Financial Statements.

SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share data)
(Unaudited)

	September 30, 2023	December 31, 2022
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	$ 17.3	$ 17.2
Accounts payable	284.3	287.0
Accrued benefits	57.5	58.6
Accrued compensation	96.1	98.6
Franchisee deposits	76.0	73.8
Other accrued liabilities	450.7	436.4
Total current liabilities	981.9	971.6
Long-term debt	1,184.4	1,183.8
Deferred income tax liabilities	72.8	82.1
Retiree health care benefits	21.8	23.4
Pension liabilities	57.7	78.6
Operating lease liabilities	50.6	44.7
Other long-term liabilities	82.7	85.1
Total liabilities	2,451.9	2,469.3
Commitments and contingencies (Note 13)		
Equity		
Shareholders' equity attributable to Snap-on Incorporated:		
Preferred stock (authorized 15,000,000 shares of $1 par value; none outstanding)	—	—
Common stock (authorized 250,000,000 shares of $1 par value; issued 67,450,946 and 67,444,966 shares, respectively)	67.5	67.4
Additional paid-in capital	531.7	499.9
Retained earnings	6,792.3	6,296.2
Accumulated other comprehensive loss	(563.3)	(528.3)
Treasury stock at cost (14,670,996 and 14,442,386 shares, respectively)	(1,998.0)	(1,853.9)
Total shareholders' equity attributable to Snap-on Incorporated	4,830.2	4,481.3
Noncontrolling interests	22.2	22.2
Total equity	4,852.4	4,503.5
Total liabilities and equity	$ 7,304.3	$ 6,972.8

See Notes to Condensed Consolidated Financial Statements.

SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Amounts in millions, except share data)
(Unaudited)

The following summarizes the changes in total equity for the three month period ended September 30, 2023:

	Shareholders' Equity Attributable to Snap-on Incorporated						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	Total Equity
Balance at July 1, 2023	$ 67.5	$ 521.1	$ 6,635.6	$ (510.7)	$ (1,956.4)	$ 22.2	$ 4,779.3
Net earnings for the three months ended September 30, 2023	—	—	243.1	—	—	6.0	249.1
Other comprehensive loss	—	—	—	(52.6)	—	—	(52.6)
Cash dividends – $1.62 per share	—	—	(85.6)	—	—	—	(85.6)
Stock compensation plans	—	10.6	—	—	10.2	—	20.8
Share repurchases – 194,000 shares	—	—	—	—	(51.8)	—	(51.8)
Other	—	—	(0.8)	—	—	(6.0)	(6.8)
Balance at September 30, 2023	$ 67.5	$ 531.7	$ 6,792.3	$ (563.3)	$ (1,998.0)	$ 22.2	$ 4,852.4

The following summarizes the changes in total equity for the nine month period ended September 30, 2023:

	Shareholders' Equity Attributable to Snap-on Incorporated						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	Total Equity
Balance at December 31, 2022	$ 67.4	$ 499.9	$ 6,296.2	$ (528.3)	$ (1,853.9)	$ 22.2	$ 4,503.5
Net Earnings for the nine months ended September 30, 2023	—	—	755.8	—	—	17.5	773.3
Other comprehensive loss	—	—	—	(35.0)	—	—	(35.0)
Cash dividends – $4.86 per share	—	—	(257.6)	—	—	—	(257.6)
Stock compensation plans	—	31.8	—	—	89.7	—	121.5
Share repurchases – 909,000 shares	—	—	—	—	(233.8)	—	(233.8)
Other	0.1	—	(2.1)	—	—	(17.5)	(19.5)
Balance at September 30, 2023	$ 67.5	$ 531.7	$ 6,792.3	$ (563.3)	$ (1,998.0)	$ 22.2	$ 4,852.4

See Notes to Condensed Consolidated Financial Statements.

SNAP-ON INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Amounts in millions, except share data)

(Unaudited)

The following summarizes the changes in total equity for the three month period ended October 1, 2022:

	Shareholders' Equity Attributable to Snap-on Incorporated						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	Total Equity
Balance at July 2, 2022	$ 67.4	$ 488.1	$ 5,996.2	$ (457.7)	$ (1,769.6)	$ 22.4	$ 4,346.8
Net earnings for the three months ended October 1, 2022	—	—	223.9	—	—	5.6	229.5
Other comprehensive loss	—	—	—	(124.6)	—	—	(124.6)
Cash dividends – $1.42 per share	—	—	(75.7)	—	—	—	(75.7)
Stock compensation plans	—	5.5	—	—	14.3	—	19.8
Share repurchases – 228,000 shares	—	—	—	—	(50.2)	—	(50.2)
Other	—	—	(0.4)	—	—	(5.7)	(6.1)
Balance at October 1, 2022	$ 67.4	$ 493.6	$ 6,144.0	$ (582.3)	$ (1,805.5)	$ 22.3	$ 4,339.5

The following summarizes the changes in total equity for the nine month period ended October 1, 2022:

	Shareholders' Equity Attributable to Snap-on Incorporated						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	Total Equity
Balance at January 1, 2022	$ 67.4	$ 472.7	$ 5,699.9	$ (343.9)	$ (1,714.2)	$ 21.9	$ 4,203.8
Net Earnings for the nine months ended October 1, 2022	—	—	672.8	—	—	16.6	689.4
Other comprehensive loss	—	—	—	(238.4)	—	—	(238.4)
Cash dividends – $4.26 per share	—	—	(227.1)	—	—	—	(227.1)
Stock compensation plans	—	20.9	—	—	41.5	—	62.4
Share repurchases – 615,000 shares	—	—	—	—	(132.8)	—	(132.8)
Other	—	—	(1.6)	—	—	(16.2)	(17.8)
Balance at October 1, 2022	$ 67.4	$ 493.6	$ 6,144.0	$ (582.3)	$ (1,805.5)	$ 22.3	$ 4,339.5

See Notes to Condensed Consolidated Financial Statements.

SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)
(Unaudited)

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Operating activities:		
Net earnings	$ 773.3	$ 689.4
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation	53.6	53.9
Amortization of other intangible assets	20.7	21.6
Provision for losses on finance receivables	40.7	24.9
Provision for losses on non-finance receivables	15.0	11.3
Stock-based compensation expense	31.4	25.6
Deferred income tax benefit	(16.5)	(14.1)
Gain on sales of assets	(0.6)	(3.0)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade and other accounts receivable	(38.3)	(110.3)
Contract receivables	(27.9)	(11.3)
Inventories	(21.0)	(223.8)
Prepaid expenses and other assets	30.3	(27.9)
Accounts payable	4.3	46.5
Accruals and other liabilities	(7.7)	(18.2)
Net cash provided by operating activities	857.3	464.6
Investing activities:		
Additions to finance receivables	(779.8)	(703.7)
Collections of finance receivables	626.5	622.1
Capital expenditures	(73.9)	(61.5)
Acquisitions of businesses, net of cash acquired	—	0.5
Disposals of property and equipment	1.5	4.4
Other	(1.5)	(0.1)
Net cash used by investing activities	(227.2)	(138.3)
Financing activities:		
Net increase in other short-term borrowings	—	2.6
Cash dividends paid	(257.6)	(227.1)
Purchases of treasury stock	(233.8)	(132.8)
Proceeds from stock purchase and option plans	94.5	41.4
Other	(27.0)	(23.3)
Net cash used by financing activities	(423.9)	(339.2)
Effect of exchange rate changes on cash and cash equivalents	(4.1)	(7.8)
Increase (decrease) in cash and cash equivalents	202.1	(20.7)
Cash and cash equivalents at beginning of year	757.2	780.0
Cash and cash equivalents at end of period	$ 959.3	$ 759.3
Supplemental cash flow disclosures:		
Cash paid for interest	$ (36.1)	$ (36.3)
Net cash paid for income taxes	(224.5)	(187.4)

See Notes to Condensed Consolidated Financial Statements.

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Summary of Accounting Policies

Principles of consolidation and presentation

The Condensed Consolidated Financial Statements include the accounts of Snap-on Incorporated and its wholly owned and majority-owned subsidiaries (collectively, "Snap-on" or the "company"). These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the consolidated financial statements and related notes included in Snap-on's 2022 Annual Report on Form 10-K for the fiscal year ended December 31, 2022 ("2022 year end"). The company's 2023 fiscal third quarter ended on September 30, 2023, and its 2022 fiscal third quarter ended on October 1, 2022. The company's 2023 and 2022 fiscal third quarters each contained 13 weeks of operating results. Snap-on's Condensed Consolidated Financial Statements are prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP").

In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the Condensed Consolidated Financial Statements for the three and nine month periods ended September 30, 2023, and October 1, 2022, have been made. Interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The fair value of the company's derivative financial instruments is generally determined using quoted prices in active markets for similar assets and liabilities. The carrying value of the company's non-derivative financial instruments either approximates fair value, due to their short-term nature, or the amount disclosed for fair value is based upon a discounted cash flow analysis or quoted market values. See Note 8 for additional information on financial instruments.

New Accounting Standards

On January 1, 2023, the beginning of Snap-on's 2023 fiscal year, the company adopted ASU No. 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which requires enhanced disclosure of certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty and eliminates certain current recognition and measurement accounting guidance. This ASU also requires the disclosure of current-period gross write-offs by year of origination for financing receivables and net investments in leases. The adoption of this ASU did not have a significant impact on the company's Condensed Consolidated Financial Statements.

Note 2: Revenue Recognition

Snap-on recognizes revenue from the sale of tools, diagnostics, equipment, and related services based on when control of the product passes to the customer or the service is provided and is recognized at an amount that reflects the consideration expected to be received in exchange for such goods or services.

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Revenue Disaggregation: The following table shows the consolidated revenues by revenue source:

(Amounts in millions)	Three Months Ended September 30, 2023	Three Months Ended October 1, 2022	Nine Months Ended September 30, 2023	Nine Months Ended October 1, 2022
Revenue from contracts with customers	$ 1,152.2	$ 1,096.3	$ 3,513.3	$ 3,318.7
Other revenues	7.1	6.2	20.3	18.2
Total net sales	1,159.3	1,102.5	3,533.6	3,336.9
Financial services revenue	94.9	87.3	280.9	261.4
Total revenues	$ 1,254.2	$ 1,189.8	$ 3,814.5	$ 3,598.3

Snap-on evaluates the performance of its operating segments based on segment revenues, including both external and intersegment net sales, and segment operating earnings. Snap-on accounts for both intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Intersegment amounts are eliminated to arrive at Snap-on's consolidated financial results.

The following tables represent external net sales disaggregated by geography, based on the customers' billing addresses:

For the Three Months Ended September 30, 2023

(Amounts in millions)	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Financial Services	Eliminations	Snap-on Incorporated
Net sales:						
North America*	$ 146.4	$ 451.4	$ 282.0	$ —	$ —	$ 879.8
Europe	69.6	37.5	54.0	—	—	161.1
All other	64.5	26.5	27.4	—	—	118.4
External net sales	280.5	515.4	363.4	—	—	1,159.3
Intersegment net sales	85.9	—	68.4	—	(154.3)	—
Total net sales	366.4	515.4	431.8	—	(154.3)	1,159.3
Financial services revenue	—	—	—	94.9	—	94.9
Total revenue	$ 366.4	$ 515.4	$ 431.8	$ 94.9	$ (154.3)	$ 1,254.2

For the Nine Months Ended September 30, 2023

(Amounts in millions)	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Financial Services	Eliminations	Snap-on Incorporated
Net sales:						
North America*	$ 428.3	$ 1,384.6	$ 849.7	$ —	$ —	$ 2,662.6
Europe	220.1	112.2	180.8	—	—	513.1
All other	200.5	78.7	78.7	—	—	357.9
External net sales	848.9	1,575.5	1,109.2	—	—	3,533.6
Intersegment net sales	245.5	—	221.2	—	(466.7)	—
Total net sales	1,094.4	1,575.5	1,330.4	—	(466.7)	3,533.6
Financial services revenue	—	—	—	280.9	—	280.9
Total revenue	$ 1,094.4	$ 1,575.5	$ 1,330.4	$ 280.9	$ (466.7)	$ 3,814.5

* North America is comprised of the United States, Canada and Mexico.

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

	For the Three Months Ended October 1, 2022					
(Amounts in millions)	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Financial Services	Eliminations	Snap-on Incorporated
Net sales:						
North America*	$ 128.2	$ 440.6	$ 268.8	$ —	$ —	$ 837.6
Europe	62.0	29.8	51.9	—	—	143.7
All other	72.6	26.2	22.4	—	—	121.2
External net sales	262.8	496.6	343.1	—	—	1,102.5
Intersegment net sales	94.0	—	70.9	—	(164.9)	—
Total net sales	356.8	496.6	414.0	—	(164.9)	1,102.5
Financial services revenue	—	—	—	87.3	—	87.3
Total revenue	$ 356.8	$ 496.6	$ 414.0	$ 87.3	$ (164.9)	$ 1,189.8

	For the Nine Months Ended October 1, 2022					
(Amounts in millions)	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Financial Services	Eliminations	Snap-on Incorporated
Net sales:						
North America*	$ 370.6	$ 1,348.7	$ 766.3	$ —	$ —	$ 2,485.6
Europe	216.9	106.3	174.2	—	—	497.4
All other	212.6	74.3	67.0	—	—	353.9
External net sales	800.1	1,529.3	1,007.5	—	—	3,336.9
Intersegment net sales	255.9	—	221.5	—	(477.4)	—
Total net sales	1,056.0	1,529.3	1,229.0	—	(477.4)	3,336.9
Financial services revenue	—	—	—	261.4	—	261.4
Total revenue	$ 1,056.0	$ 1,529.3	$ 1,229.0	$ 261.4	$ (477.4)	$ 3,598.3

* North America is comprised of the United States, Canada and Mexico.

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The following tables represent external net sales disaggregated by customer type:

	For the Three Months Ended September 30, 2023					
(Amounts in millions)	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Financial Services	Eliminations	Snap-on Incorporated
Net sales:						
Vehicle service professionals	$ 19.4	$ 515.4	$ 363.4	$ —	$ —	$ 898.2
All other professionals	261.1	—	—	—	—	261.1
External net sales	280.5	515.4	363.4	—	—	1,159.3
Intersegment net sales	85.9	—	68.4	—	(154.3)	—
Total net sales	366.4	515.4	431.8	—	(154.3)	1,159.3
Financial services revenue	—	—	—	94.9	—	94.9
Total revenue	$ 366.4	$ 515.4	$ 431.8	$ 94.9	$ (154.3)	$ 1,254.2

	For the Nine Months Ended September 30, 2023					
(Amounts in millions)	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Financial Services	Eliminations	Snap-on Incorporated
Net sales:						
Vehicle service professionals	$ 62.2	$ 1,575.5	$ 1,109.2	$ —	$ —	$ 2,746.9
All other professionals	786.7	—	—	—	—	786.7
External net sales	848.9	1,575.5	1,109.2	—	—	3,533.6
Intersegment net sales	245.5	—	221.2	—	(466.7)	—
Total net sales	1,094.4	1,575.5	1,330.4	—	(466.7)	3,533.6
Financial services revenue	—	—	—	280.9	—	280.9
Total revenue	$ 1,094.4	$ 1,575.5	$ 1,330.4	$ 280.9	$ (466.7)	$ 3,814.5

	For the Three Months Ended October 1, 2022					
(Amounts in millions)	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Financial Services	Eliminations	Snap-on Incorporated
Net sales:						
Vehicle service professionals	$ 20.8	$ 496.6	$ 343.1	$ —	$ —	$ 860.5
All other professionals	242.0	—	—	—	—	242.0
External net sales	262.8	496.6	343.1	—	—	1,102.5
Intersegment net sales	94.0	—	70.9	—	(164.9)	—
Total net sales	356.8	496.6	414.0	—	(164.9)	1,102.5
Financial services revenue	—	—	—	87.3	—	87.3
Total revenue	$ 356.8	$ 496.6	$ 414.0	$ 87.3	$ (164.9)	$ 1,189.8

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(Amounts in millions)	For the Nine Months Ended October 1, 2022					
	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Financial Services	Eliminations	Snap-on Incorporated
Net sales:						
Vehicle service professionals	$ 69.9	$ 1,529.3	$ 1,007.5	$ —	$ —	$ 2,606.7
All other professionals	730.2	—	—	—	—	730.2
External net sales	800.1	1,529.3	1,007.5	—	—	3,336.9
Intersegment net sales	255.9	—	221.5	—	(477.4)	—
Total net sales	1,056.0	1,529.3	1,229.0	—	(477.4)	3,336.9
Financial services revenue	—	—	—	261.4	—	261.4
Total revenue	$ 1,056.0	$ 1,529.3	$ 1,229.0	$ 261.4	$ (477.4)	$ 3,598.3

Nature of goods and services: Snap-on derives net sales from a broad line of products and complementary services that are grouped into three categories: (i) tools; (ii) diagnostics, information and management systems; and (iii) equipment. The tools product category includes hand tools, power tools, tool storage products and other similar products. The diagnostics, information and management systems product category includes handheld and computer-based diagnostic products, service and repair information products, diagnostic software solutions, electronic parts catalogs, business management systems and services, point-of-sale systems, integrated systems for vehicle service shops, original equipment manufacturer ("OEM") purchasing facilitation services, and warranty management systems and analytics to help OEM dealership service and repair shops ("OEM dealerships") manage and track performance. The equipment product category includes solutions for the service of vehicles and industrial equipment. Snap-on supports the sale of its diagnostics and vehicle service shop equipment by offering training programs as well as after-sales support to its customers. Through its financial services businesses, Snap-on derives revenue from various financing programs designed to facilitate the sales of its products and support its franchise business.

Approximately 90% of Snap-on's net sales are products sold at a point in time through ship-and-bill performance obligations that also include repair services. The remaining sales revenue is earned over time primarily for software subscriptions, other subscription service agreements and extended warranty programs.

Snap-on enters into contracts related to the selling of tools, diagnostics, repair information, equipment and related services. At contract inception, an assessment of the goods and services promised in the contracts with customers is performed and a performance obligation is identified for each distinct promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, Snap-on considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Contracts with customers are comprised of customer purchase orders, invoices and written contracts.

For certain performance obligations related to software subscriptions, extended warranty and other subscription agreements that are settled over time, Snap-on has elected not to disclose the value of unsatisfied performance obligations for: (i) contracts that have an original expected length of one year or less; (ii) contracts where revenue is recognized as invoiced; and (iii) contracts with variable consideration related to unsatisfied performance obligations. The remaining duration of these unsatisfied performance obligations range from one month up to 60 months. Snap-on had approximately $185.0 million of long-term contracts that have fixed consideration that extends beyond one year as of September 30, 2023. Snap-on expects to recognize approximately 60% of these contracts as revenue by the end of fiscal 2024, an additional 35% by the end of fiscal 2026, and the balance thereafter.

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Contract liabilities: Contract liabilities are recorded when cash payments are received in advance of Snap-on's performance. The timing of payment is typically on a monthly, quarterly or annual basis. The balance of total contract liabilities was $65.9 million and $63.3 million at September 30, 2023, and December 31, 2022, respectively. The current portion of contract liabilities is included in "Other accrued liabilities" and the non-current portion of such liabilities is included in "Other long-term liabilities" on the accompanying Condensed Consolidated Balance Sheets. During the three and nine months ended September 30, 2023, Snap-on recognized $7.4 million and $52.7 million of revenue, respectively, that was included in the $63.3 million contract liability balance at December 31, 2022, which was primarily from the amortization of software subscriptions, extended warranties and other subscription agreements.

Note 3: Receivables

Trade and other accounts receivable: Snap-on's trade and other accounts receivable primarily arise from the sale of tools, diagnostics, and equipment products to a broad range of industrial and commercial customers and to Snap-on's independent franchise van channel with payment terms generally ranging from 30 to 120 days.

The components of Snap-on's trade and other accounts receivable as of September 30, 2023, and December 31, 2022, are as follows:

(Amounts in millions)	September 30, 2023	December 31, 2022
Trade and other accounts receivable	$ 810.6	$ 792.8
Allowances for credit losses	(33.8)	(31.1)
Total trade and other accounts receivable – net	$ 776.8	$ 761.7

The following is a rollforward of the allowances for credit losses related to trade and other accounts receivable for the three and nine months ended September 30, 2023, and October 1, 2022:

	Three Months Ended		Nine Months Ended	
(Amounts in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Allowances for credit losses:				
Beginning of period	$ 32.3	$ 28.1	$ 31.1	$ 27.3
Provision for credit losses	5.5	4.6	13.7	11.2
Charge-offs	(3.6)	(3.0)	(10.9)	(8.2)
Recoveries	—	—	—	0.1
Currency translation	(0.4)	(0.9)	(0.1)	(1.6)
End of period	$ 33.8	$ 28.8	$ 33.8	$ 28.8

Finance and contract receivables: Snap-on Credit LLC ("SOC"), the company's financial services operation in the United States, originates extended-term finance and contract receivables on sales of Snap-on's products sold through the U.S. franchisee network and to certain other customers of Snap-on; Snap-on's foreign finance subsidiaries provide similar financing internationally. Interest income on finance and contract receivables is included in "Financial services revenue" on the accompanying Condensed Consolidated Statements of Earnings.

Finance receivables are comprised of extended-term payment contracts to both technicians and independent shop owners (i.e., franchisees' customers) to enable them to purchase tools, diagnostics, and equipment products on an extended-term payment plan, with average payment terms of approximately four years.

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Contract receivables, with payment terms of up to 10 years, are comprised of extended-term payment contracts to a broad base of customers worldwide, including shop owners, both independents and national chains, for their purchase of tools, diagnostics, and equipment products, as well as extended-term contracts to franchisees to meet a number of financing needs, including working capital loans, loans to enable new franchisees to fund the purchase of the franchise and van leases, or the expansion of an existing franchise. Finance and contract receivables are generally secured by the underlying tools, diagnostics and/or equipment products financed and, for contracts to franchisees, other franchisee assets.

The components of Snap-on's current finance and contract receivables as of September 30, 2023, and December 31, 2022, are as follows:

(Amounts in millions)	September 30, 2023	December 31, 2022
Finance installment receivables	$ 611.4	$ 578.6
Finance lease receivables, net of unearned finance charges of $2.1 million and $0.5 million, respectively	7.3	3.2
Total finance receivables	618.7	581.8
Contract installment receivables	59.4	51.3
Contract lease receivables, net of unearned finance charges of $20.3 million and $19.1 million, respectively	62.0	60.3
Total contract receivables	121.4	111.6
Total	740.1	693.4
Allowances for credit losses:		
Finance installment receivables	(21.1)	(19.5)
Finance lease receivables	(0.1)	(0.1)
Total finance allowance for credit losses	(21.2)	(19.6)
Contract installment receivables	(0.9)	(0.8)
Contract lease receivables	(0.9)	(0.9)
Total contract allowance for credit losses	(1.8)	(1.7)
Total allowance for credit losses	(23.0)	(21.3)
Total current finance and contract receivables – net	$ 717.1	$ 672.1
Finance receivables – net	$ 597.5	$ 562.2
Contract receivables – net	119.6	109.9
Total current finance and contract receivables – net	$ 717.1	$ 672.1

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The components of Snap-on's finance and contract receivables with payment terms beyond one year as of September 30, 2023, and December 31, 2022, are as follows:

(Amounts in millions)	September 30, 2023	December 31, 2022
Finance installment receivables	$ 1,283.2	$ 1,210.4
Finance lease receivables, net of unearned finance charges of $1.6 million and $0.2 million, respectively	7.5	1.7
Total finance receivables	1,290.7	1,212.1
Contract installment receivables	212.3	202.1
Contract lease receivables, net of unearned finance charges of $33.2 million and $30.7 million, respectively	192.3	186.6
Total contract receivables	404.6	388.7
Total	1,695.3	1,600.8
Allowances for credit losses:		
Finance installment receivables	(44.7)	(41.3)
Finance lease receivables	(0.1)	—
Total finance allowance for credit losses	(44.8)	(41.3)
Contract installment receivables	(3.1)	(3.1)
Contract lease receivables	(1.6)	(1.8)
Total contract allowance for credit losses	(4.7)	(4.9)
Total allowance for credit losses	(49.5)	(46.2)
Total long-term finance and contract receivables – net	$ 1,645.8	$ 1,554.6
Finance receivables – net	$ 1,245.9	$ 1,170.8
Contract receivables – net	399.9	383.8
Total long-term finance and contract receivables – net	$ 1,645.8	$ 1,554.6

Credit quality: The company's receivable portfolio is comprised of two portfolio segments, finance and contract receivables, which are the same segments used to estimate expected credit losses reported in the allowance for credit losses. The amortized cost basis for finance and contract receivables is the amount originated adjusted for applicable accrued interest and net of deferred fees or costs, collection of cash, and write-offs. The company monitors and assesses credit risk based on the characteristics of each portfolio segment.

When extending credit, Snap-on evaluates the collectability of the receivables based on a combination of various financial and qualitative factors that may affect a customer's ability to pay. These factors may include the customer's financial condition, past payment experience, and credit bureau and proprietary Snap-on credit model information, as well as the value of the underlying collateral.

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For finance and contract receivables, Snap-on assesses quantitative and qualitative factors through the use of credit quality indicators consisting primarily of collection experience and related internal metrics. Delinquency is the primary indicator of credit quality for finance and contract receivables. Snap-on conducts monthly reviews of credit and collection performance for both the finance and contract receivable portfolios focusing on data such as delinquency trends, nonaccrual receivables, and write-off and recovery activity. These reviews allow for the formulation of collection strategies and potential collection policy modifications in response to changing risk profiles in the finance and contract receivable portfolios. The other internal metrics include credit exposure by customer and delinquency classification to further monitor changing risk profiles. The company maintains a system that aggregates credit exposure and provides delinquency data by days past due aging categories. A receivable 30 days or more past due is considered delinquent. However, customer receivables are monitored prior to becoming 30 days past due.

The amortized cost basis of finance and contract receivables by origination year as of September 30, 2023, and charge-offs for the nine months ended September 30, 2023, are as follows:

(Amounts in millions)	2023	2022	2021	2020	2019	Prior	Total
Finance receivables:							
Delinquent	$ 11.6	$ 19.3	$ 9.3	$ 5.3	$ 2.1	$ 1.1	$ 48.7
Non-delinquent	1,101.7	484.0	172.0	76.6	21.7	4.7	1,860.7
Total Finance receivables	$ 1,113.3	$ 503.3	$ 181.3	$ 81.9	$ 23.8	$ 5.8	$ 1,909.4
Finance receivables charge-offs	$ 1.7	$ 18.8	$ 11.2	$ 6.1	$ 2.6	$ 1.7	$ 42.1
Contract receivables:							
Delinquent	$ 0.1	$ 0.8	$ 0.9	$ 0.6	$ 0.5	$ 0.2	$ 3.1
Non-delinquent	151.8	136.1	94.0	64.2	40.8	36.0	522.9
Total Contract receivables	$ 151.9	$ 136.9	$ 94.9	$ 64.8	$ 41.3	$ 36.2	$ 526.0
Contract receivables charge-offs	$ —	$ 0.2	$ 0.6	$ 0.4	$ 0.1	$ 0.3	$ 1.6

Allowances for credit losses: The allowances for credit losses are maintained at levels that are considered adequate to cover expected credit losses over the remaining contractual life of the receivables using historical loss experience, asset specific risk characteristics, current conditions, reasonable and supportable forecasts, and an appropriate reversion period, when applicable. Management performs detailed reviews of its receivables on a monthly and/or quarterly basis to assess the adequacy of the allowances and to determine if any impairment has occurred. A receivable generally has credit losses when it is expected that all amounts related to the receivable will not be collected according to the contractual terms of the agreement. Amounts determined to be uncollectable are charged directly against the allowances, while amounts recovered on previously written off accounts increase the allowances.

For both finance and contract receivables, write-offs include the uncollectable principal amount of the receivable as well as the uncollectable accrued interest and fees, net of repossessions. For finance receivables only, write-offs are partially offset by recourse from franchisees. Recovered interest and fees previously written off are recorded through the allowances for credit losses and increase the allowances. Absent a repossession, finance receivables are typically written off when an account reaches 120 days past due. Repossessed accounts are typically written off within 60 days of asset repossession. Contract receivables related to equipment leases are generally written off when an account becomes 150 days past due, while contract receivables related to franchise finance and van leases are generally written off no later than when the receivable becomes 180 days past the asset return date. For finance and contract receivables, customer bankruptcies are generally written off upon notification that the associated debt is not being reaffirmed or, in any event, no later than when the receivable becomes 180 days past due. Changes to the allowances for credit losses are maintained through adjustments to the provisions for credit losses.

For finance receivables, the company uses a vintage loss rate methodology to determine expected losses. Vintage analysis aims to calculate losses based on the timing of the losses relative to the origination of the receivables. The finance receivable portfolio contains a substantial amount of homogeneous contracts which fits well with the vintage analysis.

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For contract receivables, the company primarily uses a Weighted-Average Remaining Maturity ("WARM") methodology. The WARM methodology calculates the average annual write-off rate and applies it to the remaining term of the receivables. The WARM methodology is used since contract receivables have limited loss experience over generally longer terms and, therefore, the predictive loss patterns are more difficult to estimate.

The company performed a correlation analysis to compare historical losses to many economic factors. The primary economic factors considered were real gross domestic product, civilian unemployment, industrial production index, and repair and maintenance employment rate; the company determined that there is limited correlation between the historical losses and economic factors. As a result, consideration was given to qualitative factors to adjust the reserve balance for asset specific risk characteristics, current conditions and future expectations. Similar qualitative factors are considered for both finance and contract receivables. The qualitative factors used in determining the estimate of expected credit losses are influenced by the changes in the composition of the portfolio, underwriting practices, and other relevant conditions that were different from the historical periods.

The allowances for credit losses are adjusted each period for changes in the credit risk and expected lifetime credit losses.

The following is a rollforward of the allowances for credit losses for finance and contract receivables for the three and nine months ended September 30, 2023, and October 1, 2022:

	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
(Amounts in millions)	Finance Receivables	Contract Receivables	Finance Receivables	Contract Receivables
Allowances for credit losses:				
Beginning of period	$ 65.1	$ 6.5	$ 60.9	$ 6.6
Provision for credit losses	12.8	0.7	40.7	1.3
Charge-offs	(13.7)	(0.7)	(42.1)	(1.6)
Recoveries	1.9	0.1	6.5	0.3
Currency translation	(0.1)	(0.1)	—	(0.1)
End of period	$ 66.0	$ 6.5	$ 66.0	$ 6.5

	Three Months Ended October 1, 2022		Nine Months Ended October 1, 2022	
(Amounts in millions)	Finance Receivables	Contract Receivables	Finance Receivables	Contract Receivables
Allowances for credit losses:				
Beginning of period	$ 61.3	$ 7.2	$ 67.3	$ 8.4
Provision for credit losses	9.5	—	24.9	0.1
Charge-offs	(12.3)	(0.4)	(38.5)	(1.8)
Recoveries	2.0	0.1	7.0	0.2
Currency translation	(0.2)	(0.2)	(0.4)	(0.2)
End of period	$ 60.3	$ 6.7	$ 60.3	$ 6.7

Past due: Depending on the contract, payments for finance and contract receivables are due on a monthly or weekly basis. Weekly payments are converted into a monthly equivalent for purposes of calculating delinquency. Delinquencies are assessed at the end of each month following the monthly equivalent contractual payment due date. The entire receivable balance of a contract is considered delinquent when contractual payments become 30 days past due. Removal from delinquent status occurs when the cumulative amount of monthly contractual payments then due have been received by the company.

It is the general practice of Snap-on's financial services business not to engage in contract or loan modifications. In limited instances, Snap-on's financial services business may modify certain receivables. The amount and number of finance and contract receivable modifications as of September 30, 2023, and December 31, 2022, were immaterial to both the financial services portfolio and the company's results of operations and financial position.

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The aging of finance and contract receivables as of September 30, 2023, and December 31, 2022, is as follows:

(Amounts in millions)	30-59 Days Past Due	60-90 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Total Not Past Due	Total	Greater Than 90 Days Past Due and Accruing
September 30, 2023:							
Finance receivables	$ 17.1	$ 11.9	$ 19.7	$ 48.7	$ 1,860.7	$ 1,909.4	$ 16.8
Contract receivables	1.4	0.4	1.3	3.1	522.9	526.0	0.2
December 31, 2022:							
Finance receivables	$ 17.2	$ 11.2	$ 19.5	$ 47.9	$ 1,746.0	$ 1,793.9	$ 16.5
Contract receivables	1.2	0.3	2.2	3.7	496.6	500.3	0.3

Nonaccrual: SOC maintains the accrual of interest income during the progression through the various stages of delinquency prior to processing for write-off. At the time of write-off, the entire balance including the accrued but unpaid interest income amount is recorded as a loss.

Finance receivables are generally placed on nonaccrual status (nonaccrual of interest and other fees): (i) when a customer is placed on repossession status; (ii) upon receipt of notification of bankruptcy; (iii) upon notification of the death of a customer; or (iv) in other instances in which management concludes collectability is not reasonably assured.

Contract receivables are generally placed on nonaccrual status: (i) when a receivable is more than 90 days past due or at the point a customer's account is placed on terminated status regardless of its delinquency status; (ii) upon notification of the death of a customer; or (iii) in other instances in which management concludes collectability is not reasonably assured.

The accrual of interest and other fees is resumed when the finance or contract receivable becomes contractually current and collection of all remaining contractual amounts due is reasonably assured. A receivable may have credit losses when it is expected that all amounts related to the receivable will not be collected according to the contractual terms of the applicable agreement. Such finance and contract receivables are covered by the company's respective allowances for credit losses and are written-off against the allowances when appropriate.

The amount of finance and contract receivables on nonaccrual status as of September 30, 2023, and December 31, 2022, is as follows:

(Amounts in millions)	September 30, 2023	December 31, 2022
Finance receivables	$ 10.7	$ 8.7
Contract receivables	2.4	3.3

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Note 4: Inventories

Inventories by major classification are as follows:

(Amounts in millions)	September 30, 2023	December 31, 2022
Finished goods	$ 889.2	$ 882.2
Work in progress	78.8	77.2
Raw materials	178.8	182.3
Total FIFO value	1,146.8	1,141.7
Excess of current cost over LIFO cost	(113.9)	(108.6)
Total inventories – net	$ 1,032.9	$ 1,033.1

Inventories accounted for using the first-in, first-out ("FIFO") method approximated 58% and 61% of total inventories as of September 30, 2023, and December 31, 2022, respectively. The company accounts for its non-U.S. inventory on the FIFO method. As of September 30, 2023, approximately 36% of the company's U.S. inventory was accounted for using the FIFO method and 64% was accounted for using the last-in, first-out ("LIFO") method. There were no LIFO inventory liquidations in the three and nine months ended September 30, 2023, or October 1, 2022.

Note 5: Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2023, are as follows:

(Amounts in millions)	Commercial & Industrial Group	Snap-on Tools Group	Repair Systems & Information Group	Total
Balance as of December 31, 2022	$ 302.9	$ 12.4	$ 730.0	$ 1,045.3
Currency translation	(5.9)	—	(3.5)	(9.4)
Balance as of September 30, 2023	$ 297.0	$ 12.4	$ 726.5	$ 1,035.9

Additional disclosures related to other intangible assets are as follows:

	September 30, 2023			December 31, 2022		
(Amounts in millions)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortized other intangible assets:						
Customer relationships	$ 211.3	$ (159.1)	$ 52.2	$ 212.1	$ (150.8)	$ 61.3
Developed technology	35.9	(28.7)	7.2	35.8	(26.0)	9.8
Internally developed software	187.3	(145.3)	42.0	179.6	(137.2)	42.4
Patents	50.9	(26.1)	24.8	48.4	(25.6)	22.8
Trademarks	3.8	(2.4)	1.4	3.9	(2.4)	1.5
Other	7.4	(4.0)	3.4	7.7	(4.0)	3.7
Total	496.6	(365.6)	131.0	487.5	(346.0)	141.5
Non-amortized trademarks	132.0	—	132.0	134.1	—	134.1
Total other intangible assets	$ 628.6	$ (365.6)	$ 263.0	$ 621.6	$ (346.0)	$ 275.6

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Snap-on completed its annual impairment testing of goodwill and other indefinite-lived intangible assets in the second quarter of 2023, the results of which did not result in any impairment. Provisions for the impairment of goodwill and/or other intangible assets could arise in a future period due to significant and unanticipated changes in circumstances, such as declines in profitability and cash flow due to long-term deterioration in macroeconomic, industry and market conditions, the loss of key customers, changes in technology or markets, changes in key personnel or litigation, a sustained decrease in share price and/or other events. As of September 30, 2023, the company had no accumulated impairment losses.

The weighted-average amortization periods related to other intangible assets are as follows:

	In Years
Customer relationships	14
Developed technology	5
Internally developed software	6
Patents	15
Trademarks	9
Other	39

The weighted-average amortization period for all amortizable intangible assets on a combined basis is 12 years. Intangible asset renewal costs are expensed as incurred.

The aggregate amortization expense was $6.8 million and $20.7 million for the respective three and nine month periods ended September 30, 2023, and $7.2 million and $21.6 million for the respective three and nine month periods ended October 1, 2022. Based on current levels of amortizable intangible assets and estimated weighted-average useful lives, estimated annual amortization expense is expected to be $27.2 million in 2023, $21.9 million in 2024, $15.8 million in 2025, $11.9 million in 2026, $10.4 million in 2027, and $9.1 million in 2028.

Note 6: Income Taxes

Snap-on’s effective income tax rate on earnings attributable to Snap-on was 22.9% and 23.0% in the respective first nine month periods of 2023 and 2022.

Snap-on and its subsidiaries file income tax returns in the United States and in various state, local and foreign jurisdictions. It is reasonably possible that certain unrecognized tax benefits may either be settled with taxing authorities or the statutes of limitations for such items may lapse within the next 12 months, causing Snap-on’s gross unrecognized tax benefits to decrease by a range of zero to $0.6 million. Over the next 12 months, Snap-on anticipates taking certain tax positions on various tax returns for which the related tax benefit does not meet the recognition threshold. Accordingly, Snap-on’s gross unrecognized tax benefits may increase by a range of zero to $0.6 million over the next 12 months for uncertain tax positions expected to be taken in future tax filings.

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Note 7: Short-term and Long-term Debt

Short-term and long-term debt as of September 30, 2023, and December 31, 2022, consisted of the following:

(Amounts in millions)	September 30, 2023	December 31, 2022
3.25% unsecured notes due 2027	$ 300.0	$ 300.0
4.10% unsecured notes due 2048	400.0	400.0
3.10% unsecured notes due 2050	500.0	500.0
Other*	1.7	1.0
	1,201.7	1,201.0
Less: notes payable	(17.3)	(17.2)
Total long-term debt	$ 1,184.4	$ 1,183.8

* Includes unamortized debt issuance costs and issuance discounts.

Notes payable of $17.3 million as of September 30, 2023, compared to $17.2 million as of 2022 year end.

On September 12, 2023, Snap-on entered into a $900 million multi-currency revolving credit facility that terminates on September 12, 2028 (the “Credit Facility”), which amended and restated in its entirety the company’s previous $800 million multi-currency revolving credit facility that was set to terminate on September 16, 2024. The Credit Facility contains an accordion feature that, subject to certain customary conditions, may allow the maximum commitment to be increased by up to $450 million with the approval of the lenders providing additional commitments. No amounts were borrowed or outstanding under either Credit Facility during the nine months ended as of September 30, 2023. Borrowings under the Credit Facility bear interest at varying rates based on either: (i) Snap-on’s then-current, long-term debt ratings; or (ii) Snap-on’s then-current ratio of consolidated debt net of certain cash adjustments (“Consolidated Net Debt”) to earnings before interest, taxes, depreciation, amortization and certain other adjustments for the preceding four fiscal quarters then ended (the “Consolidated Net Debt to EBITDA Ratio”). The Credit Facility’s financial covenant requires that Snap-on maintain, as of each fiscal quarter end, either (i) a ratio not greater than 0.60 to 1.00 of Consolidated Net Debt to the sum of Consolidated Net Debt plus total equity and less accumulated other comprehensive income or loss (the “Leverage Ratio”); or (ii) a Consolidated Net Debt to EBITDA Ratio not greater than 3.50 to 1.00. Snap-on may, up to two times during any five-year period during the term of the Credit Facility (including any extensions thereof), elect to increase the maximum Leverage Ratio to 0.65 to 1.00 and/or increase the maximum Consolidated Net Debt to EBITDA Ratio to 4.00 to 1.00 for four consecutive fiscal quarters in connection with certain material acquisitions (as defined in the related credit agreement). As of September 30, 2023, the company’s actual ratios of 0.05 and 0.21, respectively, were both within the permitted ranges set forth in this financial covenant. Snap-on generally issues commercial paper to fund its financing needs on a short-term basis and uses the Credit Facility as back-up liquidity to support such commercial paper issuances. As of September 30, 2023, there were no commercial paper issuances outstanding.

Note 8: Financial Instruments

Derivatives: All derivative instruments are reported in the Condensed Consolidated Financial Statements at fair value. Changes in the fair value of derivatives are recorded each period in earnings or on the accompanying Condensed Consolidated Balance Sheets, depending on whether the derivative is designated and effective as part of a hedged transaction. Gains or losses on derivative instruments recorded in earnings are presented in the same Condensed Consolidated Statement of Earnings line that is used to present the earnings effect of the hedged item. Gains or losses on derivative instruments in accumulated other comprehensive income (loss) (“Accumulated OCI”) are reclassified to earnings in the period in which earnings are affected by the underlying hedged item.

The criteria used to determine if hedge accounting treatment is appropriate are: (i) the designation of the hedge to an underlying exposure; (ii) whether or not overall risk is being reduced; and (iii) if there is a correlation between the value of the derivative instrument and the underlying hedged item. Once a derivative contract is entered into, Snap-on designates the derivative as a fair value hedge, a cash flow hedge, a hedge of a net investment in a foreign operation, or a natural hedging instrument whose change in fair value is recognized as an economic hedge against changes in the value of the hedged item. Snap-on does not use derivative instruments for speculative or trading purposes.

Snap-on is exposed to global market risks, including the effects of changes in foreign currency exchange rates, interest rates, and the company's stock price. The company uses derivatives to manage financial exposures that occur in the normal course of business. The primary risks managed by using derivative instruments are foreign currency risk, interest rate risk and stock-based deferred compensation risk.

Foreign currency risk management: Snap-on has significant international operations and is subject to certain risks inherent with foreign operations that include currency fluctuations. Foreign currency exchange risk exists to the extent that Snap-on has payment obligations or receipts denominated in currencies other than the functional currency, including intercompany loans denominated in foreign currencies. To manage these exposures, Snap-on identifies naturally offsetting positions and then purchases hedging instruments to protect the residual net exposures. Snap-on manages most of these exposures on a consolidated basis, which allows for netting of certain exposures to take advantage of natural offsets. Foreign currency forward contracts ("foreign currency forwards") are used to hedge the net exposures. Gains or losses on net foreign currency hedges are intended to offset losses or gains on the underlying net exposures in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates. Snap-on's foreign currency forwards are typically not designated as hedges. The fair value changes of these contracts are reported in earnings as foreign exchange gain or loss, which is included in "Other income (expense) – net" on the accompanying Condensed Consolidated Statements of Earnings. See Note 15 for additional information on Other income (expense) – net.

Interest rate risk management: Snap-on may manage the exposure created by the differing maturities and interest rate structures of Snap-on's borrowings through the use of interest rate swap agreements ("interest rate swaps") and treasury lock agreements ("treasury locks").

Interest rate swaps: Snap-on may enter into interest rate swaps to manage risks associated with changing interest rates related to the company's fixed rate borrowings. Interest rate swaps are accounted for as fair value hedges. The differentials paid or received on interest rate swaps are recognized as adjustments to "Interest expense" on the accompanying Condensed Consolidated Statements of Earnings. The change in the fair value of the derivative is recorded in "Long-term debt" on the accompanying Condensed Consolidated Balance Sheets. There were no outstanding interest rate swaps as of both September 30, 2023, and December 31, 2022.

Treasury locks: Snap-on may use treasury locks to manage the potential change in interest rates in anticipation of the issuance of fixed rate debt. Treasury locks are accounted for as cash flow hedges. The differentials to be paid or received on treasury locks related to the anticipated issuance of fixed rate debt are initially recorded in Accumulated OCI for derivative instruments that are designated and qualify as cash flow hedges. Upon the issuance of debt, the related amount in Accumulated OCI is released over the term of the debt and recognized as an adjustment to interest expense on the Condensed Consolidated Statements of Earnings. There were no treasury locks outstanding as of both September 30, 2023, and December 31, 2022.

Stock-based deferred compensation risk management: Snap-on manages market risk associated with the stock-based portion of its deferred compensation plans through the use of prepaid equity forward agreements ("equity forwards"). Equity forwards are used to aid in offsetting the potential mark-to-market effect on stock-based deferred compensation from changes in Snap-on's stock price. Since stock-based deferred compensation liabilities increase as the company's stock price rises and decrease as the company's stock price declines, the equity forwards are intended to mitigate the potential impact on deferred compensation expense that may result from such mark-to-market changes. As of September 30, 2023, Snap-on had equity forwards in place intended to manage market risk with respect to 69,400 shares of Snap-on common stock associated with its deferred compensation plans.

Counterparty risk: Snap-on is exposed to credit losses in the event of non-performance by the counterparties to its various financial agreements, including its foreign currency forward contracts, interest rate swap agreements, treasury lock agreements and prepaid equity forward agreements. Snap-on does not obtain collateral or other security to support financial instruments subject to credit risk, but monitors the credit standing of the counterparties and generally enters into agreements with financial institution counterparties with a credit rating of A- or better. Snap-on does not anticipate non-performance by its counterparties, but cannot provide assurances.

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Fair value of financial instruments: The fair values of financial instruments that do not approximate the carrying values in the financial statements are as follows:

	September 30, 2023		December 31, 2022	
(Amounts in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Finance receivables – net	$ 1,843.4	$ 2,088.1	$ 1,733.0	$ 1,983.9
Contract receivables – net	519.5	545.0	493.7	520.4
Long-term debt and notes payable	1,201.7	920.8	1,201.0	982.1

The following methods and assumptions were used in estimating the fair value of financial instruments:

- Finance and contract receivables include both short-term and long-term receivables. The fair value estimates of finance and contract receivables are derived utilizing discounted cash flow analyses performed on groupings of receivables that are similar in terms of loan type and characteristics. The cash flow analyses consider recent prepayment trends where applicable. The cash flows are discounted over the average life of the receivables using a current market discount rate of a similar term adjusted for credit quality. Significant inputs to the fair value measurements of the receivables are unobservable and, as such, are classified as Level 3.

- Fair value of long-term debt is estimated, using Level 2 fair value measurements, based on quoted market values of Snap-on's publicly traded senior debt. The carrying value of long-term debt includes unamortized debt issuance costs and issuance discounts. The fair value of notes payable approximates such instruments' carrying value due to their short-term nature.

- The fair value of all other financial instruments, including trade and other accounts receivable, accounts payable and other financial instruments, approximates such instruments' carrying value due to their short-term nature.

Note 9: Pension Plans

Snap-on's net periodic pension benefit included the following components:

	Three Months Ended		Nine Months Ended	
(Amounts in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Service cost	$ 4.7	$ 6.7	$ 14.1	$ 20.1
Interest cost	16.3	11.2	49.0	33.5
Expected return on plan assets	(26.1)	(25.0)	(78.4)	(74.9)
Amortization of unrecognized loss	0.4	4.6	1.1	13.8
Net periodic pension benefit	$ (4.7)	$ (2.5)	$ (14.2)	$ (7.5)

The components of net periodic pension benefit, other than the service cost component, are included in "Other income (expense) – net" on the accompanying Condensed Consolidated Statements of Earnings. See Note 15 for additional information on other income (expense) – net.

Snap-on intends to make contributions of $6.9 million to its foreign pension plans and $2.4 million to its domestic pension plans in 2023, as required by law. Depending on market and other conditions, Snap-on may make discretionary cash contributions to its pension plans in 2023.

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Note 10: Postretirement Health Care Plans

Snap-on's net periodic postretirement health care cost included the following components:

	Three Months Ended		Nine Months Ended	
(Amounts in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Interest cost	$ 0.4	$ 0.3	$ 1.5	$ 0.9
Expected return on plan assets	(0.1)	(0.2)	(0.5)	(0.5)
Amortization of unrecognized gain	(0.3)	—	(0.9)	—
Net periodic postretirement health care cost	$ —	$ 0.1	$ 0.1	$ 0.4

The components of net periodic postretirement health care cost are included in "Other income (expense) – net" on the accompanying Condensed Consolidated Statements of Earnings. See Note 15 for additional information on other income (expense) – net.

Note 11: Stock-based Compensation and Other Stock Plans

The 2011 Incentive Stock and Awards Plan (the "2011 Plan") provides for the grant of stock options, performance share units ("PSUs"), stock appreciation rights ("SARs") and restricted stock awards (which may be designated as "restricted stock units" or "RSUs"). As of September 30, 2023, the 2011 Plan had 2,633,565 shares available for future grants. The company uses treasury stock to deliver shares under the 2011 Plan.

Net stock-based compensation expense was $11.0 million and $31.4 million for the respective three and nine month periods ended September 30, 2023, and $8.1 million and $25.6 million for the respective three and nine month periods ended October 1, 2022. Cash received from stock purchase plan and stock option exercises during the respective three and nine month periods ended September 30, 2023, totaled $9.9 million and $94.5 million. Cash received from stock purchase plan and stock option exercises during the respective three and nine month periods ended October 1, 2022, totaled $12.2 million and $41.4 million. The tax benefit realized from both the exercise and vesting of share-based payment arrangements was $2.6 million and $13.1 million for the respective three and nine month periods ended September 30, 2023, and $3.3 million and $7.2 million for the respective three and nine month periods ended October 1, 2022.

Stock options: Stock options are granted with an exercise price equal to the market value of a share of Snap-on's common stock on the date of grant and have a contractual term of 10 years. Stock option grants vest ratably on the first, second and third anniversaries of the date of grant.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model. The company uses historical data regarding stock option exercise and forfeiture behaviors for different participating groups to estimate the period of time that stock options granted are expected to be outstanding. Expected volatility is based on the historical volatility of the company's stock for the length of time corresponding to the expected term of the option. The expected dividend yield is based on the expected annual dividend as a percentage of the market value of our common stock as of the date of grant. The risk-free interest rate is based on the U.S. treasury yield curve on the grant date for the expected term of the option.

The following weighted-average assumptions were used in calculating the fair value of stock options granted during the nine month periods ended September 30, 2023, and October 1, 2022, using the Black-Scholes valuation model:

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Expected term of option *(in years)*	4.89	5.14
Expected volatility factor	23.99%	22.61%
Expected dividend yield	2.60%	2.68%
Risk-free interest rate	3.99%	2.00%

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Below is a summary of stock option activity as of and for the nine months ended September 30, 2023:

	Shares *(in thousands)*	Exercise Price Per Share*	Remaining Contractual Term* *(in years)*	Aggregate Intrinsic Value *(in millions)*
Outstanding at December 31, 2022	2,349	$ 163.07		
Granted	241	249.28		
Exercised	(524)	150.06		
Forfeited or expired	(22)	218.12		
Outstanding at September 30, 2023	2,044	175.99	5.4	$ 161.7
Exercisable at September 30, 2023	1,535	159.80	4.4	146.3

* Weighted-average

The weighted-average grant date fair value of stock options granted during the nine months ended September 30, 2023, and October 1, 2022, was $51.09 and $34.35, respectively. The intrinsic value of stock options exercised was $9.9 million and $57.0 million during the respective three and nine month periods ended September 30, 2023, and $13.1 million and $23.3 million during the respective three and nine month periods ended October 1, 2022. The fair value of stock options vested was $9.1 million and $10.5 million during the respective nine month periods ended September 30, 2023, and October 1, 2022.

As of September 30, 2023, there was $14.5 million of unrecognized compensation cost related to non-vested stock options that is expected to be recognized as a charge to earnings over a weighted-average period of 1.6 years.

Performance share units: PSUs are earned and expensed using the fair value of the award over a contractual term of three years based on the company’s performance. Vesting of the PSUs is dependent upon performance relative to pre-defined goals for revenue growth and return on net assets for the applicable performance period. For performance achieved above specified levels, the recipient may earn additional shares of stock, not to exceed 100% of the number of performance awards initially granted. The PSUs have a three-year performance period based on the results of the consolidated financial metrics of the company.

The fair value of PSUs is calculated using the market value of a share of Snap-on’s common stock on the date of grant and assumed forfeitures based on recent historical experience; in recent years, forfeitures have not been significant. The weighted-average grant date fair value of PSUs granted during the nine months ended September 30, 2023, and October 1, 2022, was $249.26 and $204.87, respectively. PSUs related to 60,402 shares and 46,217 shares were paid out during the nine months ended September 30, 2023, and October 1, 2022, respectively. Earned PSUs vest and are generally paid out following the conclusion of the applicable performance period upon approval by the Organization and Executive Compensation Committee of the company’s Board of Directors (the “Board”).

Changes to the company’s non-vested PSUs during the nine months ended September 30, 2023, are as follows:

	Shares *(in thousands)*	Fair Value Price per Share*
Non-vested PSUs at December 31, 2022	199	$ 196.51
Granted	58	249.26
Performance assumption change **	30	211.67
Vested	—	—
Cancellations and other	(4)	215.56
Non-vested PSUs at September 30, 2023	283	208.71

* Weighted-average

** Reflects the number of PSUs above target levels based on performance metrics.

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As of September 30, 2023, there was $20.6 million of unrecognized compensation cost related to non-vested PSUs that are expected to be recognized as a charge to earnings over a weighted-average period of 1.0 year.

Restricted stock units: RSUs are earned and expensed using the fair value of the award over the contractual term of three years. Vesting of the RSUs is dependent upon continued employment over the three-year cliff vesting period.

The fair value of RSUs is calculated using the market value of a share of Snap-on's common stock on the date of grant and assumed forfeitures based on recent historical experience; in recent years, forfeitures have not been significant. The weighted-average grant date fair value of RSUs granted during the nine months ended September 30, 2023, and October 1, 2022, was $249.26 and $211.67, respectively.

Changes to the company's non-vested RSUs during the nine months ended September 30, 2023, are as follows:

	Shares *(in thousands)*	Fair Value Price per Share*
Non-vested RSUs at December 31, 2022	58	$ 200.16
Granted	26	249.26
Vested	(1)	196.44
Cancellations and other	(2)	215.96
Non-vested RSUs at September 30, 2023	81	215.66

* Weighted-average

As of September 30, 2023, there was $8.1 million of unrecognized compensation cost related to non-vested RSUs that are expected to be recognized as a charge to earnings over a weighted-average period of 1.2 years.

Stock appreciation rights: The company also issues stock-settled and cash-settled SARs to certain key non-U.S. employees. SARs have a contractual term of 10 years and vest ratably on the first, second and third anniversaries of the date of grant. SARs are granted with an exercise price equal to the market value of a share of Snap-on's common stock on the date of grant.

Stock-settled SARs are accounted for as equity instruments and provide for the issuance of Snap-on common stock equal to the amount by which the company's stock has appreciated over the exercise price. Stock-settled SARs have an effect on dilutive shares and shares outstanding as any appreciation of Snap-on's common stock value over the exercise price will be settled in shares of common stock. Cash-settled SARs provide for the cash payment of the excess of the fair market value of Snap-on's common stock price on the date of exercise over the grant price. Cash-settled SARs have no effect on dilutive shares or shares outstanding as any appreciation of Snap-on's common stock over the grant price is paid in cash and not in common stock.

The fair value of stock-settled SARs is estimated on the date of grant using the Black-Scholes valuation model. The fair value of cash-settled SARs is revalued (mark-to-market) each reporting period using the Black-Scholes valuation model based on Snap-on's period-end stock price. The company uses historical data regarding SARs exercise and forfeiture behaviors for different participating groups to estimate the expected term of the SARs granted based on the period of time that similar instruments granted are expected to be outstanding. Expected volatility is based on the historical volatility of the company's stock for the length of time corresponding to the expected term of the SARs. The expected dividend yield is based on the expected annual dividend as a percentage of the market value of our common stock as of the date of grant (for stock-settled SARs) or reporting date (for cash-settled SARs). The risk-free interest rate is based on the U.S. treasury yield curve in effect as of the grant date (for stock-settled SARs) or reporting date (for cash-settled SARs) for the length of time corresponding to the expected term of the SARs.

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The following weighted-average assumptions were used in calculating the fair value of stock-settled SARs granted during the nine months ended September 30, 2023, and October 1, 2022, using the Black-Scholes valuation model:

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Expected term of stock-settled SARs *(in years)*	4.08	4.02
Expected volatility factor	24.68%	23.09%
Expected dividend yield	2.60%	2.68%
Risk-free interest rate	3.87%	1.96%

Below is a summary of stock-settled SARs as of and for the nine months ended September 30, 2023:

	Stock-settled SARs *(in thousands)*	Exercise Price Per Share*	Remaining Contractual Term* *(in years)*	Aggregate Intrinsic Value *(in millions)*
Outstanding at December 31, 2022	385	$ 170.11		
Granted	62	249.26		
Exercised	(47)	152.40		
Forfeited or expired	(73)	161.76		
Outstanding at September 30, 2023	327	189.52	6.7	$ 21.4
Exercisable at September 30, 2023	195	165.35	5.4	17.5

* Weighted-average

The weighted-average grant date fair value of stock-settled SARs granted during the nine months ended September 30, 2023, and October 1, 2022, was $48.85 and $32.63, respectively. The intrinsic value of stock-settled SARs exercised was $0.2 million and $5.0 million during the respective three and nine month periods ended September 30, 2023, and $0.5 million and $1.2 million during the respective three and nine month periods ended October 1, 2022. The fair value of stock-settled SARs vested was $1.9 million and $2.0 million during the respective nine month periods ended September 30, 2023, and October 1, 2022.

As of September 30, 2023, there was $3.6 million of unrecognized compensation cost related to non-vested stock-settled SARs that is expected to be recognized as a charge to earnings over a weighted-average period of 1.7 years.

The following weighted-average assumptions were used in calculating the fair value of cash-settled SARs granted during the nine months ended September 30, 2023, and October 1, 2022, using the Black-Scholes valuation model:

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Expected term of cash-settled SARs *(in years)*	3.54	3.37
Expected volatility factor	23.97%	23.78%
Expected dividend yield	2.54%	2.82%
Risk-free interest rate	4.80%	4.25%

The intrinsic value of cash-settled SARs exercised was zero and $0.4 million for the respective three and nine month periods ended September 30, 2023, and zero and $0.6 million for the respective three and nine month periods ended October 1, 2022. The fair value of cash-settled SARs vested was $0.1 million for both the nine month periods ended September 30, 2023, and October 1, 2022.

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Changes to the company's non-vested cash-settled SARs during the nine months ended September 30, 2023, are as follows:

	Cash-settled SARs *(in thousands)*	Fair Value Price per Share*
Non-vested cash-settled SARs at December 31, 2022	2	$ 53.24
Granted	1	51.86
Vested	(1)	79.48
Non-vested cash-settled SARs at September 30, 2023	2	59.29

* Weighted-average

As of September 30, 2023, there was $0.1 million of unrecognized compensation cost related to non-vested cash-settled SARs that is expected to be recognized as a charge to earnings over a weighted-average period of 1.7 years.

Restricted stock awards – non-employee directors: The company awarded 5,760 shares and 6,525 shares of restricted stock to non-employee directors for the respective nine month periods ended September 30, 2023, and October 1, 2022. The fair value of the restricted stock awards is expensed over a one-year vesting period based on the fair value on the date of grant. All restrictions generally lapse upon the earlier of the first anniversary of the grant date, the recipient's death or disability or in the event of a change in control, as defined in the 2011 Plan. If termination of the recipient's service occurs prior to the first anniversary of the grant date for any reason other than death or disability, the shares of restricted stock would be forfeited, unless otherwise determined by the Board.

Employee stock purchase plan: Substantially all Snap-on employees in the United States and Canada are eligible to participate in an employee stock purchase plan. The purchase price of the company's common stock to participants is the lesser of the mean of the high and low price of the stock on the beginning date (May 15) or ending date (the following May 14) of each plan year. The company records compensation expense when Snap-on's period-end stock price is greater than the plan purchase price. There were 27,225 shares and 18,452 shares issued under this plan for the respective nine month periods ended September 30, 2023, and October 1, 2022. As of September 30, 2023, 551,598 shares were reserved for issuance under this plan and Snap-on held participant contributions of approximately $1.9 million. Participants are able to withdraw from the plan at any time prior to the ending date and receive back all contributions made during the plan year. Compensation expense for plan participants was zero and $1.0 million for the three and nine month periods ended September 30, 2023, respectively. The company did not recognize any compensation expense for plan participants for both the three and nine month periods ended October 1, 2022.

Franchisee stock purchase plan: All franchisees in the United States and Canada are eligible to participate in a franchisee stock purchase plan. The purchase price of the company's common stock to participants is the lesser of the mean of the high and low price of the stock on the beginning date (May 15) or ending date (the following May 14) of each plan year. The company records mark-to-market expense when Snap-on's period-end stock price is greater than the plan purchase price. There were 46,510 shares and 44,937 shares issued under this plan for the respective nine month periods ended September 30, 2023, and October 1, 2022. As of September 30, 2023, 178,715 shares were reserved for issuance under this plan and Snap-on held participant contributions of approximately $4.3 million. Participants are able to withdraw from the plan at any time prior to the ending date and generally receive back all contributions made during the plan year. The company recognized market-to-market expense of zero and $1.6 million for the three and nine month periods ended September 30, 2023. The company did not recognize any mark-to-market expense for both the three and nine month periods ended October 1, 2022.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Note 12: Earnings Per Share

The shares used in the computation of the company's basic and diluted earnings per common share are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Weighted-average common shares outstanding	52,822,472	53,212,751	52,932,781	53,307,241
Effect of dilutive securities	1,079,707	937,026	1,057,822	926,291
Weighted-average common shares outstanding, assuming dilution	53,902,179	54,149,777	53,990,603	54,233,532

The dilutive effect of the potential exercise of outstanding stock options and stock-settled SARs to purchase common shares is calculated using the treasury stock method. As of both September 30, 2023, and October 1, 2022, there were no awards outstanding that were anti-dilutive. Performance-based equity awards are included in the diluted earnings per share calculation based on the attainment of the applicable performance metrics to date.

Note 13: Commitments and Contingencies

Snap-on provides product warranties for specific product lines and accrues for estimated future warranty cost in the period in which the sale is recorded. Snap-on calculates its accrual requirements based on historic warranty loss experience that is periodically adjusted for recent actual experience, including the timing of claims during the warranty period and actual costs incurred.

Snap-on's product warranty accrual activity for the three and nine months ended September 30, 2023, and October 1, 2022, is as follows:

	Three Months Ended		Nine Months Ended	
(Amounts in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Warranty reserve:				
Beginning of period	$ 14.9	$ 16.0	$ 14.3	$ 17.3
Additions	3.6	3.0	11.5	8.4
Usage	(3.9)	(3.7)	(11.2)	(10.4)
End of period	$ 14.6	$ 15.3	$ 14.6	$ 15.3

In the ordinary course of our business, Snap-on is subject to legal disputes that are being litigated and/or settled. Although it is not possible to predict the outcome of legal matters, management believes that the results of all legal matters will not have a material impact on Snap-on's consolidated financial position, results of operations or cash flows.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Note 14: Leases

Lessee accounting: Supplemental balance sheet information related to leases as of September 30, 2023, and December 31, 2022, is as follows:

(Amounts in millions)	September 30, 2023	December 31, 2022
Finance leases:		
Property and equipment - gross	$ 17.9	$ 19.4
Accumulated depreciation and amortization	(15.6)	(16.4)
Property and equipment - net	$ 2.3	$ 3.0
Other accrued liabilities	$ 1.6	$ 2.0
Other long-term liabilities	1.2	1.9
Total finance lease liabilities	$ 2.8	$ 3.9
Operating leases:		
Operating lease right-of-use assets	$ 68.7	$ 61.5
Other accrued liabilities	$ 21.4	$ 19.4
Operating lease liabilities	50.6	44.7
Total operating lease liabilities	$ 72.0	$ 64.1

Lessor accounting: Snap-on's Financial Services business offers its customers lease financing for the lease of tools, diagnostics, and equipment products and to franchisees who require financing for vehicle leases. Sales-type leases are included in both "Finance receivables – net" and "Long-term finance receivables – net" and also in both "Contract receivables – net" and "Long-term contract receivables – net" on the accompanying Condensed Consolidated Balance Sheets.

See Note 3 for additional information on finance and contract receivables.

Note 15: Other Income (Expense) – Net

"Other income (expense) – net" on the accompanying Condensed Consolidated Statements of Earnings consists of the following:

	Three Months Ended		Nine Months Ended	
(Amounts in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Interest income	$ 10.9	$ 4.6	$ 28.8	$ 6.7
Net foreign exchange loss	(2.2)	(0.9)	(7.1)	(3.5)
Net periodic pension and postretirement benefits – non-service	9.4	9.1	28.2	27.2
Other	(0.1)	0.3	0.1	0.3
Total other income (expense) – net	$ 18.0	$ 13.1	$ 50.0	$ 30.7

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 16: Accumulated Other Comprehensive Income (Loss)

Below is a summary of net changes in Accumulated OCI by component and net of tax for the three months ended September 30, 2023:

(Amounts in millions)	Foreign Currency Translation	Cash Flow Hedges	Defined Benefit Pension and Postretirement Plans	Total
Balance as of July 1, 2023	$ (254.2)	$ 6.5	$ (263.0)	$ (510.7)
Other comprehensive loss before reclassifications	(52.3)	—	—	(52.3)
Amounts reclassified from Accumulated OCI	—	(0.4)	0.1	(0.3)
Net other comprehensive income (loss)	(52.3)	(0.4)	0.1	(52.6)
Balance as of September 30, 2023	$ (306.5)	$ 6.1	$ (262.9)	$ (563.3)

Below is a summary of net changes in Accumulated OCI by component and net of tax for the nine months ended September 30, 2023:

(Amounts in millions)	Foreign Currency Translation	Cash Flow Hedges	Defined Benefit Pension and Postretirement Plans	Total
Balance as of December 31, 2022	$ (272.5)	$ 7.3	$ (263.1)	$ (528.3)
Other comprehensive loss before reclassifications	(34.0)	—	—	(34.0)
Amounts reclassified from Accumulated OCI	—	(1.2)	0.2	(1.0)
Net other comprehensive income (loss)	(34.0)	(1.2)	0.2	(35.0)
Balance as of September 30, 2023	$ (306.5)	$ 6.1	$ (262.9)	$ (563.3)

Below is a summary of net changes in Accumulated OCI by component and net of tax for the three months ended October 1, 2022:

(Amounts in millions)	Foreign Currency Translation	Cash Flow Hedges	Defined Benefit Pension and Postretirement Plans	Total
Balance as of July 2, 2022	$ (265.1)	$ 8.1	$ (200.7)	$ (457.7)
Other comprehensive loss before reclassifications	(127.6)	—	—	(127.6)
Amounts reclassified from Accumulated OCI	—	(0.4)	3.4	3.0
Net other comprehensive income (loss)	(127.6)	(0.4)	3.4	(124.6)
Balance as of October 1, 2022	$ (392.7)	$ 7.7	$ (197.3)	$ (582.3)

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Below is a summary of net changes in Accumulated OCI by component and net of tax for the nine months ended October 1, 2022:

(Amounts in millions)	Foreign Currency Translation	Cash Flow Hedges	Defined Benefit Pension and Postretirement Plans	Total
Balance as of January 1, 2022	$ (145.1)	$ 8.9	$ (207.7)	$ (343.9)
Other comprehensive loss before reclassifications	(247.6)	—	—	(247.6)
Amounts reclassified from Accumulated OCI	—	(1.2)	10.4	9.2
Net other comprehensive income (loss)	(247.6)	(1.2)	10.4	(238.4)
Balance as of October 1, 2022	$ (392.7)	$ 7.7	$ (197.3)	$ (582.3)

The reclassifications out of Accumulated OCI for the three and nine month periods ended September 30, 2023, and October 1, 2022, are as follows:

	Amount Reclassified from Accumulated OCI				
	Three Months Ended		Nine Months Ended		
(Amounts in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	Statement of Earnings Presentation
Gains on cash flow hedges:					
Treasury locks	$ 0.4	$ 0.4	$ 1.2	$ 1.2	Interest expense
Income tax expense	—	—	—	—	Income tax expense
Net of tax	0.4	0.4	1.2	1.2	
Amortization of net unrecognized losses	$ (0.1)	$ (4.6)	$ (0.2)	$ (13.8)	See footnote below*
Income tax benefit	—	1.2	—	3.4	Income tax expense
Net of tax	(0.1)	(3.4)	(0.2)	(10.4)	
Total reclassifications for the period, net of tax	$ 0.3	$ (3.0)	$ 1.0	$ (9.2)	

* These Accumulated OCI components are included in the computation of net periodic pension and postretirement health care costs; see Note 9 and Note 10 for additional information.

Note 17: Segments

Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. Snap-on's reportable business segments are: (i) the Commercial & Industrial Group; (ii) the Snap-on Tools Group; (iii) the Repair Systems & Information Group; and (iv) Financial Services. The Commercial & Industrial Group consists of business operations serving a broad range of industrial and commercial customers worldwide, including customers in the aerospace, natural resources, government and military, power generation, transportation and technical education market segments (collectively, "critical industries"), primarily through direct and distributor channels. The Snap-on Tools Group consists of business operations primarily serving vehicle service and repair technicians through the company's multi-national mobile tool distribution channel. The Repair Systems & Information Group consists of business operations serving other professional vehicle repair customers worldwide, primarily owners and managers of independent repair shops and OEM dealerships, through direct and distributor channels. Financial Services consists of the business operations of Snap-on's finance subsidiaries.

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Snap-on evaluates the performance of its operating segments based on segment revenues, including both external and intersegment net sales, and segment operating earnings. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Identifiable assets by segment are those assets used in the respective reportable segment's operations. Corporate assets consist of cash and cash equivalents (excluding cash held at Financial Services), deferred income taxes and certain other assets. Intersegment amounts are eliminated to arrive at Snap-on's consolidated financial results.

Financial Data by Segment:

	Three Months Ended		Nine Months Ended	
(Amounts in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net sales:				
Commercial & Industrial Group	$ 366.4	$ 356.8	$ 1,094.4	$ 1,056.0
Snap-on Tools Group	515.4	496.6	1,575.5	1,529.3
Repair Systems & Information Group	431.8	414.0	1,330.4	1,229.0
Segment net sales	1,313.6	1,267.4	4,000.3	3,814.3
Intersegment eliminations	(154.3)	(164.9)	(466.7)	(477.4)
Total net sales	1,159.3	1,102.5	3,533.6	3,336.9
Financial Services revenue	94.9	87.3	280.9	261.4
Total revenues	$ 1,254.2	$ 1,189.8	$ 3,814.5	$ 3,598.3
Operating earnings:				
Commercial & Industrial Group	$ 58.1	$ 52.3	$ 172.0	$ 149.7
Snap-on Tools Group	113.4	102.2	382.8	342.6
Repair Systems & Information Group	104.9	95.4	319.9	282.7
Financial Services	69.4	66.4	202.6	202.1
Segment operating earnings	345.8	316.3	1,077.3	977.1
Corporate	(31.2)	(26.4)	(92.7)	(81.8)
Operating earnings	314.6	289.9	984.6	895.3
Interest expense	(12.4)	(11.8)	(37.4)	(35.1)
Other income (expense) – net	18.0	13.1	50.0	30.7
Earnings before income taxes	$ 320.2	$ 291.2	$ 997.2	$ 890.9

(Amounts in millions)	September 30, 2023	December 31, 2022
Assets:		
Commercial & Industrial Group	$ 1,238.6	$ 1,245.8
Snap-on Tools Group	945.1	912.9
Repair Systems & Information Group	1,645.4	1,678.1
Financial Services	2,383.0	2,242.7
Total assets from reportable segments	6,212.1	6,079.5
Corporate	1,175.1	972.9
Elimination of intersegment receivables	(82.9)	(79.6)
Total assets	$ 7,304.3	$ 6,972.8

SNAP-ON INCORPORATED
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations

Caution Regarding Forward-Looking Statements:

Statements in this document that are not historical facts, including statements that (i) are in the future tense, (ii) include the words “expects,” “plans,” “targets,” “estimates,” “believes,” “anticipates,” or similar words that reference Snap-on Incorporated (“Snap-on” or “the company”) or its management, (iii) are specifically identified as forward-looking, or (iv) describe Snap-on’s or management’s future outlook, plans, estimates, objectives or goals, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Snap-on cautions the reader that any forward-looking statements included in this document that are based upon assumptions and estimates were developed by management in good faith and are subject to risks, uncertainties or other factors that could cause (and in some cases have caused) actual results to differ materially from those described in any such statement. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results or regarded as a representation by the company or its management that the projected results will be achieved. For those forward-looking statements, Snap-on cautions the reader that numerous important factors, such as those listed below, the factors discussed in its Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (“2022 year end”), and those discussed in this document, could affect the company’s actual results and could cause its actual consolidated results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, Snap-on.

Risks and uncertainties include, without limitation:

- Uncertainties related to estimates, assumptions and projections generally;
- The timing and progress with which Snap-on can attain value through its Snap-on Value Creation Processes, including its ability to (i) realize efficiencies and savings from its rapid continuous improvement and other cost reduction initiatives, (ii) improve workforce productivity, (iii) achieve improvements in the company’s manufacturing footprint and greater efficiencies in its supply chain, and (iv) enhance machine maintenance, plant productivity and manufacturing line set-up and change-over practices, any or all of which could result in production inefficiencies, higher costs and/or lost revenues;
- Snap-on’s capability to successfully implement future strategies with respect to its existing businesses;
- Snap-on’s ability to refine its brand and franchise strategies, retain and attract franchisees, and further enhance service and value to franchisees in order to help improve the sales and profitability of franchisees;
- The company’s ability to introduce successful new products;
- Significant changes in the current competitive environment;
- Risks related to pursuing, completing and integrating acquisitions;
- Inflation, interest rate changes and other monetary and market fluctuations;
- Price and supply fluctuations related to raw materials, components and certain purchased finished goods, such as steel, plastics, and electronics;
- The effects of external economic factors, including adverse developments in world financial markets, disruptions related to tariffs and other trade issues, and global supply chain inefficiencies, including as a result of the current war in Ukraine;
- Snap-on’s ability to successfully manage changes in prices and the availability of energy sources, including gasoline;
- Snap-on’s ability to withstand disruption arising from natural disasters, including climate-related events or other unusual occurrences;
- Risks associated with data security and technological systems and protections, including the effects of cyber incidents and from new legislation, regulations or government-related developments;
- The impact of labor interruptions or challenges, and Snap-on’s ability to effectively manage human capital resources;
- Snap-on’s ability to successfully manage planned facility closures or to withstand disruptions from unexpected closures;
- Weakness in certain geographic areas, including as a result of localized recessions, and the impact of matters related to the United Kingdom’s exit from the European Union;
- Changes in tax rates, laws and regulations as well as uncertainty surrounding potential changes;
- The amount, rate and growth of health care and postretirement costs, including continuing and potentially increasing required contributions to pension and postretirement plans;

- The effects of new requirements, legislation, regulations or government-related developments or issues, as well as third party actions, including those addressing climate change;
- Potential reputational damages and costs related to litigation;
- The impact of outbreaks of infectious diseases as well as the effects of governmental actions related thereto on Snap-on's business, which could have the potential to amplify the impact of the other risks facing the company; and
- Other world or local events outside Snap-on's control, including terrorist disruptions, armed conflicts and civil unrest.

Snap-on disclaims any responsibility to update any forward-looking statement provided in this document, except as required by law.

In addition, investors should be aware that generally accepted accounting principles in the United States of America ("GAAP") prescribe when a company should reserve for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when a reserve is established for a major contingency. Reported results, therefore, may appear to be volatile in certain accounting periods.

Non-GAAP Measures

References in this report to "organic sales" refer to sales from continuing operations calculated in accordance with GAAP, adjusted to exclude acquisition-related sales and the impact of foreign currency translation. Management evaluates the company's sales performance based on organic sales growth, which primarily reflects growth from the company's existing businesses as a result of increased output, expanded customer base, geographic expansion, new product development and pricing changes, and excludes sales contributions from acquired operations the company did not own as of the comparable prior-year reporting period. Organic sales also exclude the effects of foreign currency translation as foreign currency translation is subject to volatility that can obscure underlying business trends. Management believes that the non-GAAP financial measure of organic sales is meaningful to investors as it provides them with useful information to aid in identifying underlying growth trends in the company's businesses and facilitates comparisons of its sales performance with prior periods.

RESULTS OF OPERATIONS

Results of operations for the three months ended September 30, 2023, and October 1, 2022, are as follows:

	Three Months Ended					
(Amounts in millions)	September 30, 2023		October 1, 2022		Change	
Net sales	$ 1,159.3	100.0 %	$ 1,102.5	100.0 %	$ 56.8	5.2 %
Cost of goods sold	(581.1)	(50.1)%	(569.9)	(51.7)%	(11.2)	(2.0)%
Gross profit	578.2	49.9 %	532.6	48.3 %	45.6	8.6 %
Operating expenses	(333.0)	(28.7)%	(309.1)	(28.0)%	(23.9)	(7.7)%
Operating earnings before financial services	245.2	21.2 %	223.5	20.3 %	21.7	9.7 %
Financial services revenue	94.9	100.0 %	87.3	100.0 %	7.6	8.7 %
Financial services expenses	(25.5)	(26.9)%	(20.9)	(23.9)%	(4.6)	(22.0)%
Operating earnings from financial services	69.4	73.1 %	66.4	76.1 %	3.0	4.5 %
Operating earnings	314.6	25.1 %	289.9	24.4 %	24.7	8.5 %
Interest expense	(12.4)	(1.0)%	(11.8)	(1.0)%	(0.6)	(5.1)%
Other income (expense) – net	18.0	1.4 %	13.1	1.1 %	4.9	37.4 %
Earnings before income taxes	320.2	25.5 %	291.2	24.5 %	29.0	10.0 %
Income tax expense	(71.1)	(5.6)%	(61.7)	(5.2)%	(9.4)	(15.2)%
Net earnings	249.1	19.9 %	229.5	19.3 %	19.6	8.5 %
Net earnings attributable to noncontrolling interests	(6.0)	(0.5)%	(5.6)	(0.5)%	(0.4)	(7.1)%
Net earnings attributable to Snap-on Inc.	$ 243.1	19.4 %	$ 223.9	18.8 %	$ 19.2	8.6 %

Percentage Disclosure: All income statement line item percentages below "Operating earnings from financial services" are calculated as a percentage of the sum of Net sales and Financial services revenue.

Net sales of $1,159.3 million in the third quarter of 2023 represented an increase of $56.8 million, or 5.2%, from 2022 levels, reflecting a $52.4 million, or 4.7%, organic gain and $4.4 million of favorable foreign currency translation.

Gross profit of $578.2 million in the third quarter of 2023 compared to $532.6 million last year, an increase of $45.6 million or 8.6%. Gross margin (gross profit as a percentage of net sales) in the quarter improved 160 basis points (100 basis points ("bps") equals 1.0 percent) from the third quarter of 2022 primarily due to increased sales volumes and pricing actions, lower material and other costs, and benefits from the company's "Rapid Continuous Improvement" or "RCI" initiatives. These improvements were partially offset by 50 bps of unfavorable foreign currency effects.

Snap-on's RCI initiatives employ a structured set of tools and processes across multiple businesses and geographies intended to eliminate waste and improve operations. Savings from Snap-on's RCI initiatives reflect benefits from a wide variety of ongoing efficiency, productivity and process improvements, including savings generated from product design cost reductions, improved manufacturing line set-up and change-over practices, lower-cost sourcing initiatives and facility consolidations. Unless individually significant, it is not practicable to disclose each RCI activity that generated savings and/or segregate RCI savings embedded in sales volume increases.

Operating expenses of $333.0 million in the third quarter of 2023 compared to $309.1 million in 2022. Operating expenses as a percentage of net sales rose 70 bps from last year primarily reflecting increased personnel and other costs.

Operating earnings before financial services of $245.2 million in the third quarter of 2023 compared to $223.5 million in 2022, an increase of $21.7 million or 9.7%. As a percentage of net sales, operating earnings before financial services were 21.2% compared to 20.3% last year.

Financial services revenue of $94.9 million in the third quarter of 2023 compared to $87.3 million last year. Financial services operating earnings of $69.4 million in the period compared to $66.4 million in 2022.

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Operating earnings of $314.6 million in the third quarter of 2023 compared to $289.9 million in 2022, an increase of $24.7 million or 8.5%. As a percentage of revenues (net sales plus financial services revenue), operating earnings of 25.1% in the quarter compared to 24.4% last year.

Interest expense in the third quarter of 2023 increased $0.6 million compared to last year. See Note 7 to the Condensed Consolidated Financial Statements for additional information on debt and credit facilities.

Other income (expense) – net primarily includes net gains and losses associated with hedging and currency exchange rate transactions, non-service components of net periodic benefit costs, and interest income. See Note 15 to the Condensed Consolidated Financial Statements for additional information on Other income (expense) – net.

The effective income tax rate on earnings attributable to Snap-on was 22.6% in the third quarter of 2023 and 21.6% in the third quarter of 2022. See Note 6 to the Condensed Consolidated Financial Statements for additional information on income taxes.

Net earnings attributable to Snap-on of $243.1 million, or $4.51 per diluted share, in the third quarter of 2023 compared to $223.9 million, or $4.14 per diluted share, in the third quarter of 2022, an increase of $19.2 million or $0.37 per diluted share.

Results of operations for the nine months ended September 30, 2023, and October 1, 2022, are as follows:

	Nine Months Ended					
(Amounts in millions)	September 30, 2023		October 1, 2022		Change	
Net sales	$ 3,533.6	100.0 %	$ 3,336.9	100.0 %	$ 196.7	5.9 %
Cost of goods sold	(1,762.1)	(49.9)%	(1,716.5)	(51.4)%	(45.6)	(2.7)%
Gross profit	1,771.5	50.1 %	1,620.4	48.6 %	151.1	9.3 %
Operating expenses	(989.5)	(28.0)%	(927.2)	(27.8)%	(62.3)	(6.7)%
Operating earnings before financial services	782.0	22.1 %	693.2	20.8 %	88.8	12.8 %
Financial services revenue	280.9	100.0 %	261.4	100.0 %	19.5	7.5 %
Financial services expenses	(78.3)	(27.9)%	(59.3)	(22.7)%	(19.0)	(32.0)%
Operating earnings from financial services	202.6	72.1 %	202.1	77.3 %	0.5	0.2 %
Operating earnings	984.6	25.8 %	895.3	24.9 %	89.3	10.0 %
Interest expense	(37.4)	(1.0)%	(35.1)	(1.0)%	(2.3)	(6.6)%
Other income (expense) – net	50.0	1.3 %	30.7	0.9 %	19.3	62.9 %
Earnings before income taxes	997.2	26.1 %	890.9	24.8 %	106.3	11.9 %
Income tax expense	(223.9)	(5.8)%	(201.5)	(5.6)%	(22.4)	(11.1)%
Net earnings	773.3	20.3 %	689.4	19.2 %	83.9	12.2 %
Net earnings attributable to noncontrolling interests	(17.5)	(0.5)%	(16.6)	(0.5)%	(0.9)	(5.4)%
Net earnings attributable to Snap-on Inc.	$ 755.8	19.8 %	$ 672.8	18.7 %	$ 83.0	12.3 %

Percentage Disclosure: All income statement line item percentages below "Operating earnings from financial services" are calculated as a percentage of the sum of Net sales and Financial services revenue.

Net sales of $3,533.6 million in the first nine months of 2023 represented an increase of $196.7 million, or 5.9%, from 2022 levels, reflecting a $224.6 million, or 6.8%, organic gain, partially offset by $27.9 million of unfavorable foreign currency translation.

Gross profit of $1,771.5 million in the first nine months of 2023 compared to $1,620.4 million last year, an increase of $151.1 million or 9.3%. Gross margin improved 150 bps from 2022 primarily due to increased sales volumes and pricing actions, lower material and other costs, and benefits from the company's RCI initiatives. These improvements were partially offset by 40 bps of unfavorable foreign currency effects.

Operating expenses of $989.5 million in the first nine months of 2023 compared to $927.2 million last year. Operating expenses as a percentage of net sales rose 20 bps from last year primarily reflecting increased personnel and other costs, partially offset by benefits from higher sales volumes.

Operating earnings before financial services of $782.0 million in the first nine months of 2023 compared to $693.2 million in 2022, an increase of $88.8 million or 12.8%. As a percentage of net sales, operating earnings before financial services were 22.1% compared to 20.8% last year.

Financial services revenue of $280.9 million in the first nine months of 2023 compared to $261.4 million last year. Financial services operating earnings of $202.6 million in the period compared to $202.1 million in 2022.

Operating earnings of $984.6 million in the first nine months of 2023 compared to $895.3 million in 2022, an increase of $89.3 million or 10.0%. As a percentage of revenues, operating earnings of 25.8% compared to 24.9% last year.

Interest expense in the first nine months of 2023 increased $2.3 million compared to last year. See Note 7 to the Condensed Consolidated Financial Statements for additional information on debt and credit facilities.

Other income (expense) – net primarily includes net gains and losses associated with hedging and currency exchange rate transactions, non-service components of net periodic benefit costs, and interest income. See Note 15 to the Condensed Consolidated Financial Statements for additional information on Other income (expense) – net.

The effective income tax rate on earnings attributable to Snap-on was 22.9% in the first nine months of 2023 and 23.0% in 2022. See Note 6 to the Condensed Consolidated Financial Statements for additional information on income taxes.

Net earnings attributable to Snap-on of $755.8 million, or $14.00 per diluted share, in the first nine months of 2023 compared to $672.8 million, or $12.41 per diluted share, in 2022, an increase of $83.0 million or $1.59 per diluted share.

Segment Results

Snap-on’s business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. Snap-on’s reportable business segments are: (i) the Commercial & Industrial Group; (ii) the Snap-on Tools Group; (iii) the Repair Systems & Information Group; and (iv) Financial Services. The Commercial & Industrial Group consists of business operations serving a broad range of industrial and commercial customers worldwide, including customers in the aerospace, natural resources, government and military, power generation, transportation and technical education market segments (collectively, “critical industries”), primarily through direct and distributor channels. The Snap-on Tools Group consists of business operations primarily serving vehicle service and repair technicians through the company’s multi-national mobile tool distribution channel. The Repair Systems & Information Group consists of business operations serving other professional vehicle repair customers worldwide, primarily owners and managers of independent repair shops and OEM dealerships, through direct and distributor channels. Financial Services consists of the business operations of Snap-on’s finance subsidiaries.

Snap-on evaluates the performance of its operating segments based on segment revenues, including both external and intersegment net sales, and segment operating earnings. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Identifiable assets by segment are those assets used in the respective reportable segment’s operations. Corporate assets consist of cash and cash equivalents (excluding cash held at Financial Services), deferred income taxes and certain other assets. Intersegment amounts are eliminated to arrive at Snap-on’s consolidated financial results.

Commercial & Industrial Group

	Three Months Ended					
(Amounts in millions)	September 30, 2023		October 1, 2022		Change	
External net sales	$ 280.5	76.6 %	$ 262.8	73.7 %	$ 17.7	6.7 %
Intersegment net sales	85.9	23.4 %	94.0	26.3 %	(8.1)	(8.6)%
Segment net sales	366.4	100.0 %	356.8	100.0 %	9.6	2.7 %
Cost of goods sold	(223.4)	(61.0)%	(225.0)	(63.1)%	1.6	0.7 %
Gross profit	143.0	39.0 %	131.8	36.9 %	11.2	8.5 %
Operating expenses	(84.9)	(23.1)%	(79.5)	(22.2)%	(5.4)	(6.8)%
Segment operating earnings	$ 58.1	15.9 %	$ 52.3	14.7 %	$ 5.8	11.1 %

Segment net sales of $366.4 million in the third quarter of 2023 represented an increase of $9.6 million, or 2.7%, from 2022 levels, reflecting an $11.2 million, or 3.2%, organic sales gain, partially offset by $1.6 million of unfavorable foreign currency translation. The organic increase is primarily due to a double-digit gain in sales to customers in critical industries, partially offset by a double-digit decline in the segment's Asia Pacific operations.

Segment gross margin in the third quarter improved 210 bps from last year, primarily reflecting increased sales volumes in the higher-gross-margin critical industry sector, pricing actions, and benefits from the segment's RCI initiatives. These improvements were partially offset by 60 bps of unfavorable foreign currency effects.

Segment operating expenses as a percentage of sales in the third quarter rose 90 bps as compared to 2022 primarily due to increased sales in higher-expense businesses, as well as increased personnel and other costs.

As a result of these factors, segment operating earnings of $58.1 million in the third quarter of 2023, including $2.9 million of unfavorable foreign currency effects, compared to $52.3 million in 2022, an increase of $5.8 million or 11.1%. Operating margin (segment operating earnings as a percentage of segment net sales) for the Commercial & Industrial Group of 15.9% in the third quarter of 2023 compared to 14.7% in 2022.

	Nine Months Ended					
(Amounts in millions)	September 30, 2023		October 1, 2022		Change	
External net sales	$ 848.9	77.6 %	$ 800.1	75.8 %	$ 48.8	6.1 %
Intersegment net sales	245.5	22.4 %	255.9	24.2 %	(10.4)	(4.1)%
Segment net sales	1,094.4	100.0 %	1,056.0	100.0 %	38.4	3.6 %
Cost of goods sold	(666.2)	(60.9)%	(666.7)	(63.1)%	0.5	0.1 %
Gross profit	428.2	39.1 %	389.3	36.9 %	38.9	10.0 %
Operating expenses	(256.2)	(23.4)%	(239.6)	(22.7)%	(16.6)	(6.9)%
Segment operating earnings	$ 172.0	15.7 %	$ 149.7	14.2 %	$ 22.3	14.9 %

Segment net sales of $1,094.4 million in the first nine months of 2023 represented an increase of $38.4 million, or 3.6%, from 2022 levels, reflecting a $58.1 million, or 5.6%, organic sales gain, partially offset by $19.7 million of unfavorable foreign currency translation. The organic increase primarily reflects a double-digit gain in sales to customers in critical industries.

Segment gross margin in the first nine months improved 220 bps from last year, primarily due to increased sales volumes in the higher-gross-margin critical industry sector, pricing actions, and benefits from the segment's RCI initiatives. These improvements were partially offset by 30 bps of unfavorable foreign currency effects.

Segment operating expenses as a percentage of sales in the first nine months rose 70 bps as compared to 2022 primarily reflecting increased sales in higher-expense businesses.

As a result of these factors, segment operating earnings of $172.0 million in the first nine months of 2023, including $7.6 million of unfavorable foreign currency effects, compared to $149.7 million in 2022, an increase of $22.3 million or 14.9%. Operating margin for the Commercial & Industrial Group of 15.7% in the first nine months of 2023 compared to 14.2% in 2022.

Snap-on Tools Group

	Three Months Ended					
(Amounts in millions)	September 30, 2023		October 1, 2022		Change	
Segment net sales	$ 515.4	100.0 %	$ 496.6	100.0 %	$ 18.8	3.8 %
Cost of goods sold	(276.8)	(53.7)%	(273.4)	(55.1)%	(3.4)	(1.2)%
Gross profit	238.6	46.3 %	223.2	44.9 %	15.4	6.9 %
Operating expenses	(125.2)	(24.3)%	(121.0)	(24.3)%	(4.2)	(3.5)%
Segment operating earnings	$ 113.4	22.0 %	$ 102.2	20.6 %	$ 11.2	11.0 %

Segment net sales of $515.4 million in the third quarter of 2023 represented an increase of $18.8 million, or 3.8%, from 2022 levels, reflecting an $18.3 million, or 3.7%, organic sales gain and $0.5 million of favorable foreign currency translation. The organic increase is due to a double-digit gain in the segment's international operations and a low single-digit increase in the U.S. operations.

Segment gross margin in the third quarter improved 140 bps from last year primarily reflecting increased sales volumes and pricing actions, and benefits from the segment's RCI initiatives. These improvements were partially offset by 50 bps of unfavorable foreign currency effects.

Segment operating expenses as a percentage of net sales in the third quarter was unchanged from last year with benefits from higher sales volumes offset by increased personnel and other costs.

As a result of these factors, segment operating earnings of $113.4 million in the third quarter of 2023, including $2.7 million of unfavorable foreign currency effects, compared to $102.2 million in 2022, an increase of $11.2 million or 11.0%. Operating margin for the Snap-on Tools Group of 22.0% in the third quarter of 2023 compared to 20.6% last year.

	Nine Months Ended					
(Amounts in millions)	September 30, 2023		October 1, 2022		Change	
Segment net sales	$ 1,575.5	100.0 %	$ 1,529.3	100.0 %	$ 46.2	3.0 %
Cost of goods sold	(826.5)	(52.5)%	(833.4)	(54.5)%	6.9	0.8 %
Gross profit	749.0	47.5 %	695.9	45.5 %	53.1	7.6 %
Operating expenses	(366.2)	(23.2)%	(353.3)	(23.1)%	(12.9)	(3.7)%
Segment operating earnings	$ 382.8	24.3 %	$ 342.6	22.4 %	$ 40.2	11.7 %

Segment net sales of $1,575.5 million in the first nine months of 2023 represented an increase of $46.2 million, or 3.0%, from 2022 levels, reflecting a $56.0 million, or 3.7%, organic sales gain, partially offset by $9.8 million of unfavorable foreign currency translation. The organic increase is due to a low single-digit gain in the U.S. operations and a high single-digit increase in the segment's international operations.

Segment gross margin in the first nine months improved 200 bps from last year primarily reflecting increased sales volumes and pricing actions, lower material and other costs, and benefits from the segment's RCI initiatives. These improvements were partially offset by 60 bps of unfavorable foreign currency effects.

Segment operating expenses as a percentage of net sales in the first nine months rose 10 bps from last year primarily due to increased personnel and other costs, mostly offset by benefits from higher sales volumes.

As a result of these factors, segment operating earnings of $382.8 million in the first nine months of 2023, including $12.4 million of unfavorable foreign currency effects, compared to $342.6 million in 2022, an increase of $40.2 million or 11.7%. Operating margin for the Snap-on Tools Group of 24.3% in the first nine months of 2023 compared to 22.4% last year.

Repair Systems & Information Group

	Three Months Ended					
(Amounts in millions)	September 30, 2023		October 1, 2022		Change	
External net sales	$ 363.4	84.2 %	$ 343.1	82.9 %	$ 20.3	5.9 %
Intersegment net sales	68.4	15.8 %	70.9	17.1 %	(2.5)	(3.5)%
Segment net sales	431.8	100.0 %	414.0	100.0 %	17.8	4.3 %
Cost of goods sold	(235.2)	(54.5)%	(236.4)	(57.1)%	1.2	0.5 %
Gross profit	196.6	45.5 %	177.6	42.9 %	19.0	10.7 %
Operating expenses	(91.7)	(21.2)%	(82.2)	(19.9)%	(9.5)	(11.6)%
Segment operating earnings	$ 104.9	24.3 %	$ 95.4	23.0 %	$ 9.5	10.0 %

Segment net sales of $431.8 million in the third quarter of 2023 represented an increase of $17.8 million, or 4.3%, from 2022 levels, reflecting a $13.0 million, or 3.1%, organic sales gain and $4.8 million of favorable foreign currency translation. The organic increase includes a high single-digit gain in sales of undercar equipment and a low 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 decline in activity with OEM dealerships.

Segment gross margin in the third quarter improved 260 bps from last year primarily due to lower material and other costs, increased sales volumes, and savings from RCI initiatives.

Segment operating expenses as a percentage of net sales in the third quarter rose 130 bps from 2022 primarily reflecting increased personnel and other costs.

As a result of these factors, segment operating earnings of $104.9 million in the third quarter of 2023, including $0.2 million of favorable foreign currency effects, compared to $95.4 million in 2022, an increase of $9.5 million or 10.0%. Operating margin for the Repair Systems & Information Group of 24.3% in the third quarter of 2023 compared to 23.0% last year.

	Nine Months Ended					
(Amounts in millions)	September 30, 2023		October 1, 2022		Change	
External net sales	$ 1,109.2	83.4 %	$ 1,007.5	82.0 %	$ 101.7	10.1 %
Intersegment net sales	221.2	16.6 %	221.5	18.0 %	(0.3)	(0.1)%
Segment net sales	1,330.4	100.0 %	1,229.0	100.0 %	101.4	8.3 %
Cost of goods sold	(736.1)	(55.3)%	(693.8)	(56.5)%	(42.3)	(6.1)%
Gross profit	594.3	44.7 %	535.2	43.5 %	59.1	11.0 %
Operating expenses	(274.4)	(20.7)%	(252.5)	(20.5)%	(21.9)	(8.7)%
Segment operating earnings	$ 319.9	24.0 %	$ 282.7	23.0 %	$ 37.2	13.2 %

Segment net sales of $1,330.4 million in the first nine months of 2023 represented an increase of $101.4 million, or 8.3%, from 2022 levels, reflecting a $102.9 million, or 8.4%, organic sales increase, partially offset by $1.5 million of unfavorable foreign currency translation. The organic gain includes double-digit increases in sales of undercar equipment, high single-digit gains in activity with OEM dealerships, and a low single-digit increase in sales of diagnostic and repair information products to independent repair shop owners and managers.

Segment gross margin in the first nine months improved 120 bps from last year primarily due to increased sales volumes and pricing actions, lower material and other costs, and savings from RCI initiatives.

Segment operating expenses as a percentage of net sales in the first nine months rose 20 bps from 2022, primarily reflecting increased personnel and other costs, partially offset by benefits from sales volume leverage.

As a result of these factors, segment operating earnings of $319.9 million in the first nine months of 2023, including $0.9 million of favorable foreign currency effects, compared to $282.7 million in 2022, an increase of $37.2 million or 13.2%. Operating margin for the Repair Systems & Information Group of 24.0% in the first nine months of 2023 compared to 23.0% last year.

Financial Services

	Three Months Ended					
(Amounts in millions)	September 30, 2023		October 1, 2022		Change	
Financial services revenue	$ 94.9	100.0 %	$ 87.3	100.0 %	$ 7.6	8.7 %
Financial services expenses	(25.5)	(26.9)%	(20.9)	(23.9)%	(4.6)	(22.0)%
Segment operating earnings	$ 69.4	73.1 %	$ 66.4	76.1 %	$ 3.0	4.5 %

Financial services revenue is generally dependent on the size of the average financial services portfolio during the period, as well as on the average yield on receivables. Financial services revenue of $94.9 million in the third quarter of 2023 increased $7.6 million, or 8.7%, from last year. In the third quarters of both 2023 and 2022, the average yield on finance receivables was 17.7%. In the third quarters of 2023 and 2022, the average yields on contract receivables were 8.8% and 8.6%, respectively. Originations of $305.2 million in the third quarter of 2023 represented an increase of $5.0 million, or 1.7%, from 2022 levels.

Financial services expenses primarily include personnel-related and other general and administrative costs, as well as provisions for credit losses. These expenses are generally more dependent on changes in the size of the financial services portfolio than they are on the revenue of the segment. Financial services expenses in the third quarter of 2023 increased primarily due to higher provisions for credit losses as compared to those recorded in the third quarter of 2022. As a percentage of the average financial services portfolio, expenses were 1.1% in the third quarter of 2023 and 0.9% in 2022.

Segment operating earnings in the third quarter of 2023 increased $3.0 million, or 4.5%, from 2022 levels.

	Nine Months Ended					
(Amounts in millions)	September 30, 2023		October 1, 2022		Change	
Financial services revenue	$ 280.9	100.0 %	$ 261.4	100.0 %	$ 19.5	7.5 %
Financial services expenses	(78.3)	(27.9)%	(59.3)	(22.7)%	(19.0)	(32.0)%
Segment operating earnings	$ 202.6	72.1 %	$ 202.1	77.3 %	$ 0.5	0.2 %

Financial services revenue of $280.9 million in the first nine months of 2023 increased $19.5 million, or 7.5%, from 2022. In the first nine months of 2023 and 2022, the respective average yields on finance receivables were 17.7% and 17.6%. In the first nine months of 2023 and 2022, the average yields on contract receivables were 8.7% and 8.5%, respectively. Originations of $932.4 million in the first nine months of 2023 represented an increase of $79.0 million, or 9.3%, from 2022 levels.

Financial services expenses in the first nine months of 2023 increased primarily due to higher provisions for credit losses as compared to those recorded in 2022. As a percentage of the average financial services portfolio, expenses were 3.3% in the first nine months of 2023 and 2.7% in the same period in 2022.

Segment operating earnings in the first nine months of 2023, including $0.8 million of unfavorable foreign currency effects, increased $0.5 million, or 0.2%, from 2022 levels.

Corporate

Snap-on's third quarter 2023 general corporate expenses of $31.2 million compared to $26.4 million last year. For the first nine months of 2023, expenses of $92.7 million compared to $81.8 million recorded in 2022. The year-over-year increases in corporate expenses in 2023 for both periods primarily reflect higher stock-based and performance-based compensation.

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Non-GAAP Supplemental Data

The following non-GAAP supplemental data is presented for informational purposes to provide readers with insight into the information used by management for assessing the operating performance of Snap-on's non-financial services ("Operations") and Financial Services businesses.

The supplemental Operations data reflects the results of operations and financial position of Snap-on's tools, diagnostics, equipment products, software, and other non-financial services operations with Financial Services presented on the equity method. The supplemental Financial Services data reflects the results of operations and financial position of Snap-on's U.S. and international financial services operations. The financing needs of Financial Services are met through intersegment borrowings and cash generated from Operations; Financial Services is charged interest expense on intersegment borrowings at market rates. Income taxes are charged to Financial Services on the basis of the specific tax attributes generated by the U.S. and international financial services businesses. Transactions between the Operations and Financial Services businesses were eliminated to arrive at the Condensed Consolidated Financial Statements.

Non-GAAP Supplemental Consolidating Data – Supplemental Condensed Statements of Earnings information for the three months ended September 30, 2023, and October 1, 2022, is as follows:

	Operations*		Financial Services	
(Amounts in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net sales	$ 1,159.3	$ 1,102.5	$ —	$ —
Cost of goods sold	(581.1)	(569.9)	—	—
Gross profit	578.2	532.6	—	—
Operating expenses	(333.0)	(309.1)	—	—
Operating earnings before financial services	245.2	223.5	—	—
Financial services revenue	—	—	94.9	87.3
Financial services expenses	—	—	(25.5)	(20.9)
Operating earnings from financial services	—	—	69.4	66.4
Operating earnings	245.2	223.5	69.4	66.4
Interest expense	(12.4)	(11.7)	—	(0.1)
Intersegment interest income (expense) – net	16.1	14.7	(16.1)	(14.7)
Other income (expense) – net	17.9	13.0	0.1	0.1
Earnings before income taxes and equity earnings	266.8	239.5	53.4	51.7
Income tax expense	(57.3)	(48.4)	(13.8)	(13.3)
Earnings before equity earnings	209.5	191.1	39.6	38.4
Financial services – net earnings attributable to Snap-on	39.6	38.4	—	—
Net earnings	249.1	229.5	39.6	38.4
Net earnings attributable to noncontrolling interests	(6.0)	(5.6)	—	—
Net earnings attributable to Snap-on	$ 243.1	$ 223.9	$ 39.6	$ 38.4

* Snap-on with Financial Services presented on the equity method.

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Non-GAAP Supplemental Consolidating Data – Supplemental Condensed Statements of Earnings information for the nine months ended September 30, 2023, and October 1, 2022, is as follows:

	Operations*		Financial Services	
(Amounts in millions)	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net sales	$ 3,533.6	$ 3,336.9	$ —	$ —
Cost of goods sold	(1,762.1)	(1,716.5)	—	—
Gross profit	1,771.5	1,620.4	—	—
Operating expenses	(989.5)	(927.2)	—	—
Operating earnings before financial services	782.0	693.2	—	—
Financial services revenue	—	—	280.9	261.4
Financial services expenses	—	—	(78.3)	(59.3)
Operating earnings from financial services	—	—	202.6	202.1
Operating earnings	782.0	693.2	202.6	202.1
Interest expense	(37.4)	(35.0)	—	(0.1)
Intersegment interest income (expense) – net	47.9	44.5	(47.9)	(44.5)
Other income (expense) – net	49.8	30.5	0.2	0.2
Earnings before income taxes and equity earnings	842.3	733.2	154.9	157.7
Income tax expense	(183.8)	(160.9)	(40.1)	(40.6)
Earnings before equity earnings	658.5	572.3	114.8	117.1
Financial services – net earnings attributable to Snap-on	114.8	117.1	—	—
Net earnings	773.3	689.4	114.8	117.1
Net earnings attributable to noncontrolling interests	(17.5)	(16.6)	—	—
Net earnings attributable to Snap-on	$ 755.8	$ 672.8	$ 114.8	$ 117.1

* Snap-on with Financial Services presented on the equity method.

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Non-GAAP Supplemental Consolidating Data – Supplemental Condensed Balance Sheet information as of September 30, 2023, and December 31, 2022, is as follows:

	Operations*		Financial Services	
(Amounts in millions)	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
ASSETS				
Current assets:				
Cash and cash equivalents	$ 959.1	$ 757.1	$ 0.2	$ 0.1
Intersegment receivables	17.7	13.4	—	—
Trade and other accounts receivable – net	776.0	761.1	0.8	0.6
Finance receivables – net	—	—	597.5	562.2
Contract receivables – net	5.7	5.9	113.9	104.0
Inventories – net	1,032.9	1,033.1	—	—
Prepaid expenses and other assets	124.8	149.2	5.7	5.8
Total current assets	2,916.2	2,719.8	718.1	672.7
Property and equipment – net	521.9	510.7	2.9	1.9
Operating lease right-of-use assets	67.6	60.1	1.1	1.4
Investment in Financial Services	386.0	363.9	—	—
Deferred income tax assets	51.8	48.4	23.8	21.6
Intersegment long-term notes receivable	745.8	635.9	—	—
Long-term finance receivables – net	—	—	1,245.9	1,170.8
Long-term contract receivables – net	8.9	9.6	391.0	374.2
Goodwill	1,035.9	1,045.3	—	—
Other intangible assets – net	263.0	275.6	—	—
Pension assets	72.7	70.6	—	—
Other assets	28.1	27.1	0.2	0.1
Total assets	$ 6,097.9	$ 5,767.0	$ 2,383.0	$ 2,242.7

* Snap-on with Financial Services presented on the equity method.

SNAP-ON INCORPORATED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Non-GAAP Supplemental Consolidating Data – Supplemental Condensed Balance Sheets Information (continued):

(Amounts in millions)	Operations*		Financial Services	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
LIABILITIES AND EQUITY				
Current liabilities:				
Notes payable	$ 17.3	$ 17.2	$ —	$ —
Accounts payable	283.3	285.8	1.0	1.2
Intersegment payables	—	—	17.7	13.4
Accrued benefits	57.5	58.6	—	—
Accrued compensation	93.2	95.6	2.9	3.0
Franchisee deposits	76.0	73.8	—	—
Other accrued liabilities	434.4	420.8	27.9	25.8
Total current liabilities	961.7	951.8	49.5	43.4
Long-term debt and intersegment long-term debt	—	—	1,930.2	1,819.7
Deferred income tax liabilities	72.8	82.1	—	—
Retiree health care benefits	21.8	23.4	—	—
Pension liabilities	57.7	78.6	—	—
Operating lease liabilities	49.8	43.6	0.8	1.1
Other long-term liabilities	81.7	84.0	16.5	14.6
Total liabilities	1,245.5	1,263.5	1,997.0	1,878.8
Total shareholders' equity attributable to Snap-on	4,830.2	4,481.3	386.0	363.9
Noncontrolling interests	22.2	22.2	—	—
Total equity	4,852.4	4,503.5	386.0	363.9
Total liabilities and equity	$ 6,097.9	$ 5,767.0	$ 2,383.0	$ 2,242.7

* Snap-on with Financial Services presented on the equity method.

Liquidity and Capital Resources

Snap-on’s growth has historically been funded by a combination of cash provided by operating activities and debt financing. Snap-on believes that its cash from operations and collections of finance receivables, coupled with its sources of borrowings and available cash on hand, are sufficient to fund its currently anticipated requirements for scheduled debt repayments, payments of interest and dividends, new receivables originated by our financial services businesses, capital expenditures, working capital, the funding of pension plans, and funding for share repurchases and acquisitions, if and as they arise.

Due to Snap-on’s credit rating over the years, external funds have been available at an acceptable cost. As of October 13, 2023, Snap-on’s long-term debt and commercial paper were rated, respectively, A2 and P-1 by Moody’s Investors Service; A- and A-2 by Standard & Poor’s; and A and F1 by Fitch Ratings. Snap-on believes that its current credit arrangements are sound and that the strength of its balance sheet affords the company the financial flexibility, including through access to financial markets for potential new financing, to respond to both internal growth opportunities and those available through acquisitions. However, Snap-on cannot provide any assurance that financing will be available in the future on acceptable terms, or that its debt ratings will not decrease.

The following discussion focuses on information included in the accompanying Condensed Consolidated Balance Sheets.

Working capital (current assets less current liabilities) of $2,623.1 million as of September 30, 2023, represented an increase of $225.8 million from $2,397.3 million as of December 31, 2022 (fiscal 2022 year end), primarily as a result of the net changes discussed below.

The following represents the company’s working capital position as of September 30, 2023, and December 31, 2022:

(Amounts in millions)	September 30, 2023	December 31, 2022
Cash and cash equivalents	$ 959.3	$ 757.2
Trade and other accounts receivable – net	776.8	761.7
Finance receivables – net	597.5	562.2
Contract receivables – net	119.6	109.9
Inventories – net	1,032.9	1,033.1
Prepaid expenses and other assets	118.9	144.8
Total current assets	3,605.0	3,368.9
Notes payable	(17.3)	(17.2)
Accounts payable	(284.3)	(287.0)
Other current liabilities	(680.3)	(667.4)
Total current liabilities	(981.9)	(971.6)
Working capital	$ 2,623.1	$ 2,397.3

Cash and cash equivalents of $959.3 million as of September 30, 2023, represented an increase of $202.1 million from 2022 year-end levels primarily due to: (i) $857.3 million of cash generated from operations; (ii) $626.5 million of cash from collections of finance receivables; and (iii) $94.5 million of cash proceeds from stock purchase plan and stock option exercises. These increases in cash and cash equivalents were partially offset by: (i) the funding of $779.8 million of new finance receivables; (ii) dividend payments to shareholders of $257.6 million; (iii) the repurchase of 909,000 shares of the company’s common stock for $233.8 million; and (iv) the funding of $73.9 million of capital expenditures.

Of the $959.3 million of cash and cash equivalents as of September 30, 2023, $359.3 million was held outside of the United States. Snap-on maintains non-U.S. funds in its foreign operations to: (i) provide adequate working capital; (ii) satisfy various regulatory requirements; and/or (iii) take advantage of business expansion opportunities as they arise. Although the Tax Cuts and Jobs Act (“Tax Act”) generally eliminated U.S. federal taxation of dividends from foreign subsidiaries, such dividends may still be subject to state income taxation and foreign withholding taxes. Snap-on periodically evaluates its cash held outside the United States and may pursue opportunities to repatriate certain foreign cash amounts to the extent that it can be accomplished in a tax efficient manner.

Trade and other accounts receivable – net of $776.8 million as of September 30, 2023, compared to $761.7 million last year, an increase of $15.1 million primarily due to higher sales, partially offset by $3.2 million of foreign currency translation. Days sales outstanding (trade and other accounts receivable – net as of the respective period end, divided by the respective trailing 12 months sales, times 360 days) was 60 days and 61 days for September 30, 2023, and December 31, 2022, respectively.

The current portions of net finance and contract receivables of $717.1 million as of September 30, 2023, compared to $672.1 million at 2022 year end. The long-term portions of net finance and contract receivables of $1,645.8 million as of September 30, 2023, compared to $1,554.6 million at 2022 year end. The combined $136.2 million increase in net current and long-term finance and contract receivables over 2022 year-end levels is primarily due to an increase in net receivable originations, partially offset by $2.6 million of foreign currency translation.

Inventories – net of $1,032.9 million as of September 30, 2023, compared to $1,033.1 million last year, a decrease of $0.2 million primarily due to $9.7 million of foreign currency translation, partially offset by increases resulting from higher demand. Inventory turns (trailing 12 months of cost of goods sold, divided by the average of the beginning and ending inventory balance for the trailing 12 months) were 2.4 turns and 2.5 turns as of September 30, 2023, and December 31, 2022, respectively. Inventories accounted for using the first-in, first-out ("FIFO") method approximated 58% and 61% of total inventories as of September 30, 2023, and December 31, 2022, respectively. All other inventories are accounted for using the last-in, first-out ("LIFO") method. The company's LIFO reserve was $113.9 million and $108.6 million as of September 30, 2023, and December 31, 2022, respectively.

Notes payable of $17.3 million as of September 30, 2023, compared to $17.2 million as of 2022 year end.

Accounts payable of $284.3 million as of September 30, 2023, compared to $287.0 million last year, a decrease of $2.7 million primarily due to the timing of payments, partially offset by $2.1 million of foreign currency translation.

Other accrued liabilities of $450.7 million as of September 30, 2023, compared to $436.4 million last year, an increase of $14.3 million primarily due to higher tax accruals, partially offset by $3.1 million of foreign currency translation.

Long-term debt of $1,184.4 million as of September 30, 2023, consisted of: (i) $300 million of unsecured 3.25% notes that mature on March 1, 2027 (the "2027 Notes"); (ii) $400 million of unsecured 4.10% notes that mature on March 1, 2048 (the "2048 Notes"); and (iii) $500 million of 3.10% notes that mature on May 1, 2050 ("the 2050 Notes"), partially offset by $15.6 million of unamortized debt issuance costs and issuance discounts.

On September 12, 2023, Snap-on entered into a $900 million multi-currency revolving credit facility that terminates on September 12, 2028 (the "Credit Facility"), which amended and restated in its entirety the company's previous $800 million multi-currency revolving credit facility that was set to terminate on September 16, 2024. The Credit Facility contains an accordion feature that, subject to certain customary conditions, may allow the maximum commitment to be increased by up to $450 million with the approval of the lenders providing additional commitments. No amounts were borrowed or outstanding under either Credit Facility during the nine months ended as of September 30, 2023. Borrowings under the Credit Facility bear interest at varying rates based on either: (i) Snap-on's then-current, long-term debt ratings; or (ii) Snap-on's then-current ratio of consolidated debt net of certain cash adjustments ("Consolidated Net Debt") to earnings before interest, taxes, depreciation, amortization and certain other adjustments for the preceding four fiscal quarters then ended (the "Consolidated Net Debt to EBITDA Ratio"). The Credit Facility's financial covenant requires that Snap-on maintain, as of each fiscal quarter end, either (i) a ratio not greater than 0.60 to 1.00 of Consolidated Net Debt to the sum of Consolidated Net Debt plus total equity and less accumulated other comprehensive income or loss (the "Leverage Ratio"); or (ii) a Consolidated Net Debt to EBITDA Ratio not greater than 3.50 to 1.00. Snap-on may, up to two times during any five-year period during the term of the Credit Facility (including any extensions thereof), elect to increase the maximum Leverage Ratio to 0.65 to 1.00 and/or increase the maximum Consolidated Net Debt to EBITDA Ratio to 4.00 to 1.00 for four consecutive fiscal quarters in connection with certain material acquisitions (as defined in the related credit agreement). As of September 30, 2023, the company's actual ratios of 0.05 and 0.21 respectively, were both within the permitted ranges set forth in this financial covenant. Snap-on generally issues commercial paper to fund its financing needs on a short-term basis and uses the Credit Facility as back-up liquidity to support such commercial paper issuances. As of September 30, 2023, there were no commercial paper issuances outstanding.

Snap-on believes it has sufficient available cash and access to both committed and uncommitted credit facilities to cover its expected funding needs on both a short-term and long-term basis. Snap-on manages its aggregate short-term borrowings so as not to exceed its availability under the Credit Facility. Snap-on believes that it can access short-term debt markets, predominantly through commercial paper issuances and existing lines of credit, to fund its short-term requirements and to ensure near-term liquidity. Snap-on regularly monitors the credit and financial markets and, if it believes conditions are favorable, it may take advantage of such conditions to issue long-term debt to further improve its liquidity and capital resources. Near-term liquidity requirements for Snap-on include payments of interest and dividends, funding to support new receivables originated by our financial services businesses, capital expenditures, working capital, the funding of pension plans, and funding for share repurchases and acquisitions, if and as they arise. Snap-on intends to make contributions of $6.9 million to its foreign pension plans and $2.4 million to its domestic pension plans in 2023, as required by law. Depending on market and other conditions, Snap-on may make discretionary cash contributions to its pension plans in 2023.

Snap-on's long-term financing strategy is to maintain continuous access to the debt markets to accommodate its liquidity needs, including the potential use of commercial paper, additional fixed-term debt and/or securitizations.

The following discussion focuses on information included in the accompanying Condensed Consolidated Statements of Cash Flows.

Operating Activities

Net cash provided by operating activities was $857.3 million and $464.6 million in the first nine months of 2023 and 2022, respectively. The $392.7 million year-over-year increase in net cash provided by operating activities primarily reflects a $284.7 million change in net operating assets and liabilities and an $83.9 million increase in net earnings.

Investing Activities

Net cash used by investing activities of $227.2 million in the first nine months of 2023 included additions to finance receivables of $779.8 million, partially offset by collections of $626.5 million. Net cash used by investing activities of $138.3 million in the first nine months of 2022 included additions to finance receivables of $703.7 million, partially offset by collections of $622.1 million. Finance receivables are comprised of extended-term installment payment contracts to both technicians and independent shop owners (i.e., franchisees' customers) to enable them to purchase tools, diagnostics, and equipment products on an extended-term payment plan, with average payment terms of approximately four years.

Capital expenditures were $73.9 million and $61.5 million in the first nine months of 2023 and 2022, respectively. Capital expenditures in both years included continued investments related to the company's execution of its strategic Value Creation Processes around safety, quality, customer connection, innovation and RCI.

Financing Activities

Net cash used by financing activities was $423.9 million in the first nine months of 2023. Net cash used by financing activities of $339.2 million in the first nine months of 2022 included net proceeds from other short-term borrowings of $2.6 million.

Proceeds from stock purchase plan and stock option exercises totaled $94.5 million and $41.4 million in the first nine months of 2023 and 2022, respectively. In the first nine months of 2023, Snap-on repurchased 909,000 shares of its common stock for $233.8 million under its previously announced share repurchase programs. In the first nine months of 2022, Snap-on repurchased 615,000 shares of its common stock for $132.8 million under its previously announced share repurchase programs. As of September 30, 2023, Snap-on had remaining availability to repurchase up to an additional $304.5 million in common stock pursuant to its Board's authorizations. The repurchase of Snap-on common stock to offset dilution related to equity plan issuances or for other corporate purposes is at the company's discretion, subject to prevailing financial and market conditions. Snap-on believes that its cash generated from operations, available cash on hand, and funds available from its credit facilities, will be sufficient to fund the company's additional share repurchases, if any.

Snap-on has paid consecutive quarterly cash dividends, without interruption or reduction, since 1939. Cash dividends totaled $257.6 million and $227.1 million in the first nine months of 2023 and 2022, respectively. On November 4, 2022, the Board increased the quarterly cash dividend by 14.1% to $1.62 per share ($6.48 per share annualized). Snap-on believes that its cash generated from operations, available cash on hand, and funds available from its credit facilities, will be sufficient to pay dividends.

Critical Accounting Policies and Estimates

Snap-on's discussion of its critical accounting policies and estimates, contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2022, have not materially changed since the report was filed.

Outlook

We believe that our markets and our operations possess and have demonstrated continuing and considerable resilience against the uncertainties of the current environment. For the remainder of 2023, Snap-on expects to make ongoing progress along its defined runways for coherent growth, leveraging capabilities already demonstrated in the automotive repair arena and developing and expanding its professional customer base, not only in automotive repair, but in adjacent markets, additional geographies and other areas, including extending in critical industries, where the cost and penalties for failure can be high. In pursuit of these initiatives, we project that capital expenditures in 2023 will approximate $100 million, of which $73.9 million was incurred in the first nine months of the year.

Snap-on currently anticipates that its full-year 2023 effective income tax rate will approximate 23%.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

There has been no significant change in the company's exposure to market risk during the third quarter of 2023. Refer to Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk in the company's Annual Report on Form 10-K for the year ended December 31, 2022 for further discussion.

Interest Rate Risk Management

Snap-on may manage the exposure created by the differing maturities and interest rate structures of Snap-on's borrowings through the use of interest rate swap agreements. Treasury lock agreements may be used to manage the potential change in interest rates in anticipation of the issuance of fixed rate debt. See Note 8 to the Condensed Consolidated Financial Statements for additional information on interest rate risk management.

Snap-on utilizes a Value-at-Risk ("VAR") model to determine the potential one-day loss in the fair value of its interest rate and foreign exchange-sensitive financial instruments from adverse changes in market factors. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. Snap-on's computations are based on the inter-relationships among movements in various currencies and interest rates (variance/co-variance technique). These inter-relationships were determined by observing interest rate and foreign currency market changes over the preceding quarter.

The estimated maximum potential net one-day loss in fair value, calculated using the VAR model, as of September 30, 2023, was $11.9 million, consisting of a $12.3 million loss on interest rate-sensitive financial instruments and a $0.4 million gain on foreign currency-sensitive financial instruments. The VAR model is a risk management tool and does not purport to represent actual losses in fair value that will be incurred by Snap-on, nor does it consider the potential effect of favorable changes in market factors.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Snap-on maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that material information relating to the company and its consolidated subsidiaries is timely communicated to the officers who certify Snap-on's financial reports and to other members of senior management and the Board, as appropriate.

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023. Based upon their evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of September 30, 2023, to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission rules and forms, and to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

There has been no change in the company's internal control over financial reporting during the quarter ended September 30, 2023, that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)).

PART II. OTHER INFORMATION

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following chart discloses information regarding the shares of Snap-on's common stock repurchased by the company during the third quarter of fiscal 2023, all of which were purchased pursuant to the Board's authorizations that the company has publicly announced. Snap-on has undertaken stock repurchases from time to time to offset dilution related to equity plan issuances or for other corporate purposes, as well as when the company believes market conditions are favorable. The repurchase of Snap-on common stock is at the company's discretion, subject to prevailing financial and market conditions, and pursuant to the Board's authorizations that the company has publicly announced.

Period	Shares purchased	Average price per share	Shares purchased as part of publicly announced plans or programs	Approximate value of shares that may yet be purchased under publicly announced plans or programs*
07/02/2023 to 07/29/2023	40,000	$272.34	40,000	$331.5 million
07/30/2023 to 08/26/2023	70,000	$268.33	70,000	$314.7 million
08/27/2023 to 09/30/2023	84,000	$261.75	84,000	$304.5 million
Total/Average	194,000	$266.84	194,000	N/A

N/A: Not applicable

* Subject to further adjustment pursuant to the 1996 Authorization described below, as of September 30, 2023, the approximate value of shares that may yet be purchased pursuant to the outstanding Board authorizations discussed below is $304.5 million.

- In 1996, the Board authorized the company to repurchase shares of the company's common stock periodically in the open market or in privately negotiated transactions (the "1996 Authorization"). The 1996 Authorization allows the repurchase of up to the number of shares issued or delivered from treasury under the various plans the company has in place that call for the issuance of the company's common stock. Because the number of shares that are purchased pursuant to the 1996 Authorization will change as (i) the company issues shares under its various plans; and (ii) shares are repurchased pursuant to this authorization, the number of shares authorized to be repurchased will vary from time to time. The 1996 Authorization will expire when terminated by the Board.

- On November 4, 2021, the Board authorized the repurchase of up to $500 million of the company's common stock (the "2021 Authorization"). The 2021 Authorization will expire when the aggregate repurchase price limit is met, unless terminated earlier by the Board.

Other Purchases or Sales of Equity Securities

The following chart discloses information regarding transactions in shares of Snap-on's common stock by Citibank, N.A. ("Citibank") during the third quarter of 2023 pursuant to a prepaid equity forward agreement (the "Agreement") with Citibank that is intended to reduce the impact of market risk associated with the stock-based portion of the company's deferred compensation plans. The company's stock-based deferred compensation liabilities increase as the company's stock price rises and decrease as the company's stock price declines. Pursuant to the Agreement, Citibank may purchase or sell shares of the company's common stock (for Citibank's account) in the market or in privately negotiated transactions. The Agreement has no stated expiration date and does not provide for Snap-on to purchase or repurchase its shares.

Citibank Purchases of Snap-on Stock

Period	Shares purchased	Average price per share
07/02/2023 to 07/29/2023	—	—
07/30/2023 to 08/26/2023	—	—
08/27/2023 to 09/30/2023	600	$260.05
Total/Average	600	$260.05

Item 5: Other Information

Historically, the company's executive officers and directors have entered into Rule 10b5-1 trading arrangements periodically. In accordance with the new disclosure requirement set forth in Item 408(a) of Regulation S-K, during the quarterly period ended September 30, 2023, no officer (as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended) or director adopted, modified or terminated a contract, instruction or written plan for the purchase or sale of securities of the company intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or a non-Rule 10b5-1 trading arrangement.

Item 6: Exhibits

Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104	Cover page Inline XBRL data (contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Snap-on Incorporated has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SNAP-ON INCORPORATED

Date: October 19, 2023

/s/ Aldo J. Pagliari

Aldo J. Pagliari, Principal Financial Officer,
Senior Vice President – Finance and
Chief Financial Officer