



Quarterly Financial Review

Third Quarter 2017

Cautionary Statement

- These slides should be read in conjunction with comments from the October 19, 2017 conference call. The financial statement information included herein is unaudited.
- Statements made during the October 19, 2017 conference call and/or information included in this presentation may contain statements, including earnings projections, that are forward-looking in nature and, accordingly, are subject to risks and uncertainties regarding Snap-on's expected results; actual results may differ materially from those described or contemplated in these forward-looking statements. Factors that may cause actual results to differ materially from those contained in the forward-looking statements are detailed in the corresponding press release and Form 8-K and in Snap-on's recent 1934 Act SEC filings, which are incorporated herein by reference. Snap-on disclaims any responsibility to update any forward-looking statement provided during the October 19, 2017 conference call and/or included in this presentation, except as required by law.
- This presentation includes certain non-GAAP measures of financial performance, which are not meant to be considered in isolation or as a substitute for their GAAP counterparts. Additional information regarding these non-GAAP measures is included in Snap-on's October 19, 2017 press release and Form 8-K, which can be found on the company's website at <http://www.snapon.com/sna>.

Who We Are

OUR MISSION

The most valued productivity solutions in the world

BELIEFS

We deeply believe in:

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

VALUES

Our behaviors define our success:

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

VISION

To be acknowledged as the:

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



Nick Pinchuk

Chairman and Chief Executive Officer



Aldo Pagliari

Senior Vice President and Chief Financial Officer

Consolidated Results – 3rd Quarter

(\$ in millions, except per share data - unaudited)	2017		2016		Change
	\$	%	\$	%	
Net sales	\$ 903.8		\$ 834.1		8.4 %
➤ Organic sales	19.5				2.3 %
➤ Acquisitions	44.3				5.3 %
➤ Currency translation	5.9				0.8 %
Gross profit	\$ 448.6	49.6 %	\$ 419.1	50.2 %	
Operating expenses	295.5	32.7 %	261.5	31.3 %	
Operating earnings before financial services	\$ 153.1	16.9 %	\$ 157.6	18.9 %	(2.9)%
Financial services revenue	\$ 79.0		\$ 71.6		10.3 %
Financial services operating earnings	56.0		50.6		10.7 %
Operating earnings	\$ 209.1	21.3 %	\$ 208.2	23.0 %	0.4 %
Net earnings	\$ 133.4		\$ 131.7		1.3 %
Diluted EPS	\$ 2.29		\$ 2.22		3.2 %

- Organic sales up 2.3%; excludes \$44.3 million of acquisition-related sales and \$5.9 million of favorable foreign currency translation
- Gross margin of 49.6% declined 60 basis points (bps) primarily due to 40 bps of unfavorable foreign currency effects and lower gross margin on acquisition-related sales, partially offset by savings from Rapid Continuous Improvement (“RCI”) initiatives
- The operating expense margin of 32.7% increased 140 bps as 170 bps for a charge related to a judgment in an employment-related litigation matter that is being appealed (“legal charge”) and 30 bps of operating expenses for acquisitions were partially offset by sales volume leverage
- Operating earnings before financial services of \$153.1 million, including \$1.9 million of unfavorable foreign currency effects and \$15.0 million for the legal charge, decreased \$4.5 million and the operating margin of 16.9% compared to 18.9% last year
- Diluted EPS of \$2.29 up 3.2%; excluding \$0.16 per share legal charge, diluted EPS, as adjusted, of \$2.45 up 10.4%

Commercial & Industrial – 3rd Quarter

(\$ in millions - unaudited)	2017	2016	Change
Segment sales	\$ 314.6	\$ 289.3	8.7 %
➤ Organic sales	0.6		0.2 %
➤ Acquisitions	22.7		7.8 %
➤ Currency translation	2.0		0.7 %
Gross profit	\$ 126.7	\$ 112.7	
% of sales	40.3 %	39.0 %	
Operating expenses	\$ 76.6	\$ 69.0	
% of sales	24.4 %	23.9 %	
Operating earnings	\$ 50.1	\$ 43.7	14.6 %
% of sales	15.9 %	15.1 %	

- Organic sales up \$0.6 million or 0.2%
 - Primarily due to increased sales to customers in critical industries and a gain in sales in the segment's European-based hand tools business, substantially offset by decreased sales of power tools and in the segment's Asia Pacific operations
 - Excludes \$22.7 million of acquisition-related sales and \$2.0 million of favorable foreign currency translation
- Gross margin of 40.3% increased 130 bps from 2016 primarily due to favorable business mix and benefits from RCI initiatives
- The operating expense margin of 24.4% increased 50 bps from last year primarily due to 40 bps of operating expenses for acquisitions
- Operating earnings of \$50.1 million, including \$0.1 million of favorable currency effects, increased \$6.4 million; the operating margin improved 80 bps to 15.9%

Snap-on Tools – 3rd Quarter

<i>(\$ in millions - unaudited)</i>	2017	2016	Change
Segment sales	\$ 392.7	\$ 397.2	(1.1)%
➤ Organic sales	(6.5)		(1.6)%
➤ Currency translation	2.0		0.5 %
Gross profit	\$ 164.2	\$ 173.3	
% of sales	41.8 %	43.6 %	
Operating expenses	\$ 107.9	\$ 108.7	
% of sales	27.5 %	27.3 %	
Operating earnings	\$ 56.3	\$ 64.6	(12.8)%
% of sales	14.3 %	16.3 %	

- Organic sales down \$6.5 million, or 1.6%, including a decrease in the company's U.S. franchise operations, partially offset by increased sales in the company's international franchise operations
- Gross margin of 41.8% decreased 180 bps primarily due to a year-over-year shift in product mix and 70 bps of unfavorable foreign currency effects
- The operating expense margin of 27.5% increased 20 bps primarily due to the effect of the lower sales
- Operating earnings of \$56.3 million, including \$2.3 million of unfavorable foreign currency effects, decreased \$8.3 million and the operating margin of 14.3% compared to 16.3% last year

Repair Systems & Information – 3rd Quarter

(\$ in millions - unaudited)	2017	2016	Change
Segment sales	\$ 333.5	\$ 286.1	16.6 %
➤ Organic sales	23.7		8.2 %
➤ Acquisitions	21.6		7.5 %
➤ Currency translation	2.1		0.9 %
Gross profit	\$ 157.7	\$ 133.1	
% of sales	47.3 %	46.5 %	
Operating expenses	\$ 74.3	\$ 61.3	
% of sales	22.3 %	21.4 %	
Operating earnings	\$ 83.4	\$ 71.8	16.2 %
% of sales	25.0 %	25.1 %	

- Organic sales up \$23.7 million or 8.2%
 - Increased sales of diagnostic and repair information products to independent repair shop owners and managers, higher sales to OEM dealerships and higher sales of undercar equipment
- Gross margin of 47.3% improved 80 bps, including 40 bps of benefits from acquisitions and savings from RCI initiatives
- The operating expense margin of 22.3% increased 90 bps primarily due to 180 bps of impact from acquisitions, partially offset by benefits of sales volume leverage
- Operating earnings of \$83.4 million, including \$0.3 million of favorable foreign currency effects, increased \$11.6 million; the operating margin of 25.0% in the third quarter of 2017 compared to 25.1% last year, including 140 bps impact from acquisitions

Financial Services – 3rd Quarter

<i>(\$ in millions - unaudited)</i>	2017	2016	Change
Segment revenue	\$ 79.0	\$ 71.6	10.3 %
Operating earnings	\$ 56.0	\$ 50.6	10.7 %
Originations	\$ 271.8	\$ 269.8	0.7 %

- Originations increased \$2.0 million or 0.7%
- Average yield on finance receivables of 17.9% compared to 18.0% in 2016
- Average yield on contract receivables of 9.2% compared to 9.4% in 2016

Financial Services Portfolio Data

(\$ in millions - unaudited)	United States		International	
	Extended Credit	Total	Extended Credit	Total
Gross finance portfolio	\$ 1,394.6	\$ 1,714.0	\$ 184.0	\$ 259.8
Portfolio net losses (TTM)	\$ 41.5	\$ 43.2	\$ 2.2	\$ 2.5
60+ Delinquency:				
As of 9/30/17	1.7 %	1.5 %	0.6 %	0.6 %
As of 6/30/17	1.4 %	1.2 %	0.6 %	0.6 %
As of 3/31/17	1.4 %	1.2 %	0.7 %	0.6 %
As of 12/31/16	1.6 %	1.3 %	0.7 %	0.7 %
As of 09/30/16	1.3 %	1.1 %	0.6 %	0.5 %

- Gross finance portfolio of \$1,973.8 million as of September 30, 2017
 - YTD 2017 portfolio growth of \$159.1 million
 - Q3 portfolio growth of \$59.4 million
- TTM – Trailing twelve months

Cash Flows

(\$ in millions - unaudited)	3rd Quarter		September YTD	
	2017	2016	2017	2016
Net cash provided by operating activities	\$ 95.5	\$ 111.9	\$ 415.0	\$ 415.6
➤ Net earnings	137.1	135.2	439.0	409.9
➤ Depreciation and amortization	23.5	21.2	69.4	63.9
➤ Changes in deferred income taxes	(13.2)	(6.8)	(10.1)	(12.5)
➤ Settlement of treasury lock	-	-	14.9	-
➤ Changes in working investment	(63.8)	(39.7)	(111.2)	(33.4)
➤ Changes in accruals and other liabilities	14.7	11.6	(13.3)	(10.9)
➤ Changes in all other operating activities	(2.8)	(9.6)	26.3	(1.4)
Net increase in finance receivables	\$ (35.2)	\$ (56.0)	\$ (141.1)	\$ (189.7)
Capital expenditures	\$ (22.9)	\$ (16.5)	\$ (57.3)	\$ (56.6)
Acquisitions of businesses	(2.7)	-	\$ (82.9)	-
Free cash flow	\$ 37.4	\$ 39.4	\$ 216.6	\$ 169.3
Free cash flow from Operations	\$ 56.9	\$ 88.3	\$ 265.2	\$ 295.5
Free cash flow from Financial Services	\$ (19.5)	\$ (48.9)	\$ (48.6)	\$ (126.2)
Increase (decrease) in cash	\$ 5.1	\$ (2.4)	\$ 16.5	\$ 24.7

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

Balance Sheet

<i>(\$ in millions - unaudited)</i>	September 30, 2017	December 31, 2016
Trade & Other Accounts Receivable - net	\$ 675.2	\$ 598.8
Days Sales Outstanding	67	63
Finance Receivables - net	\$ 1,524.4	\$ 1,407.0
Contract Receivables - net	\$ 410.2	\$ 374.8
Inventory - net	\$ 649.9	\$ 530.5
Inventory turns - TTM	3.1	3.3
Cash	\$ 94.1	\$ 77.6
Total debt	\$ 1,208.4	\$ 1,010.2
Net debt	\$ 1,114.3	\$ 932.6
Net debt to capital ratio	27.6 %	26.3 %

- Total debt as of 2016 year end included \$130 million of commercial paper borrowings; \$170 million of commercial paper borrowings were outstanding as of September 30, 2017
- Snap-on repurchased 1,348,000 shares for \$212.6 million in the first nine months of 2017

Reconciliation of Non-GAAP Financial Measures

AS REPORTED <i>(\$ in millions, except per share data - unaudited)</i>	Three Months Ended		Nine Months Ended	
	Sept. 30, 2017	Oct. 1, 2016	Sept. 30, 2017	Oct. 1, 2016
Charge related to a judgment in an employment-related litigation matter that is being appealed (“legal charge”)				
Pre-tax legal charge	\$ 15.0	\$ -	\$ 15.0	\$ -
Income tax expense	<u>(5.7)</u>	<u>-</u>	<u>(5.7)</u>	<u>-</u>
Legal charge, net of tax	\$ 9.3	\$ -	\$ 9.3	\$ -
Weighted-average shares outstanding – diluted	58.3	59.3	58.9	59.4
Diluted EPS – legal charge	\$ 0.16	\$ -	\$ 0.16	\$ -

Reconciliation of Non-GAAP Financial Measures

ADJUSTED INFORMATION – NON-GAAP <i>(\$ in millions, except per share data - unaudited)</i>	Three Months Ended		Nine Months Ended	
	Sept. 30, 2017	Oct. 1, 2016	Sept. 30, 2017	Oct. 1, 2016
Operating earnings before financial services				
As reported	\$ 153.1	\$ 157.6	\$ 506.3	\$ 479.4
Legal charge	<u>15.0</u>	<u>-</u>	<u>15.0</u>	<u>-</u>
As adjusted to exclude legal charge	\$ 168.1	\$ 157.6	\$ 521.3	\$ 479.4
Operating earnings before financial services as a percentage of sales				
As reported	16.9 %	18.9 %	18.7 %	18.9 %
As adjusted to exclude legal charge	18.6 %	18.9 %	19.2 %	18.9 %
Operating earnings				
As reported	\$ 209.1	\$ 208.2	\$ 669.4	\$ 626.5
Legal charge	<u>15.0</u>	<u>-</u>	<u>15.0</u>	<u>-</u>
As adjusted to exclude legal charge	\$ 224.1	\$ 208.2	\$ 684.4	\$ 626.5
Operating earnings as a percentage of revenue				
As reported	21.3 %	23.0 %	22.7 %	22.8 %
As adjusted to exclude legal charge	22.8 %	23.0 %	23.2 %	22.8 %
Net earnings attributable to Snap-on Inc.				
As reported	\$ 133.4	\$ 131.7	\$ 428.2	\$ 400.1
Legal charge	<u>9.3</u>	<u>-</u>	<u>9.3</u>	<u>-</u>
As adjusted to exclude legal charge	\$ 142.7	\$ 131.7	\$ 437.5	\$ 400.1
Diluted EPS				
As reported	\$ 2.29	\$ 2.22	\$ 7.27	\$ 6.74
Legal charge	<u>0.16</u>	<u>-</u>	<u>0.16</u>	<u>-</u>
As adjusted to exclude legal charge	\$ 2.45	\$ 2.22	\$ 7.43	\$ 6.74