



# Quarterly Financial Review

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**First Quarter 2013**

# Cautionary Statement

- These slides should be read in conjunction with comments from a conference call held on April 18, 2013. The financial statement information included herein is unaudited.
- Statements made during the April 18, 2013 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 April 18, 2013 conference call and/or included in this presentation, except as required by law.

## **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**

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**Chairman and Chief Executive Officer**



**Aldo Pagliari**

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**Senior Vice President and Chief Financial Officer**

# Consolidated Results – 1<sup>st</sup> Quarter

(\$ in millions, except per share data - unaudited)	2013		2012		Change
	\$	%	\$	%	
Net sales	\$ 741.7		\$ 735.2		0.9 %
➤ Organic sales	10.8				1.5 %
➤ Currency translation	(4.3)				(0.6)%
Gross profit	\$ 356.9	48.1 %	\$ 347.7	47.3 %	
Operating expenses	249.1	33.6 %	250.2	34.0 %	
Operating earnings before financial services	\$ 107.8	14.5 %	\$ 97.5	13.3 %	10.6 %
Financial services revenue	\$ 44.0		\$ 38.0		15.8 %
Financial services operating earnings	30.5		23.9		27.6 %
Operating earnings	\$ 138.3	17.6 %	\$ 121.4	15.7 %	13.9 %
Net earnings	\$ 82.8		\$ 71.0		16.6 %
Diluted EPS	\$ 1.40		\$ 1.21		15.7 %

- Organic sales (excluding \$4.3 million of unfavorable currency) up 1.5%
- Gross margin of 48.1% improved 80 basis points (bps) primarily reflecting savings from ongoing Rapid Continuous Improvement (“RCI”) initiatives partially offset by higher restructuring costs
- Operating expenses down \$1.1 million; operating expense margin of 33.6% improved 40 bps from 34.0% last year
- Operating earnings before financial services increased \$10.3 million and operating margin improved 120 bps to 14.5%
- Financial services operating earnings of \$30.5 million up \$6.6 million, or 27.6%, reflecting ongoing portfolio growth
- Operating earnings increased \$16.9 million and operating margin improved 190 bps to 17.6%

# Commercial & Industrial – 1<sup>st</sup> Quarter

(\$ in millions - unaudited)	2013	2012	Change
Segment sales	\$ 266.4	\$ 286.5	(7.0)%
➤ Organic sales	(17.9)		(6.3)%
➤ Currency translation	(2.2)		(0.7)%
Gross profit	\$ 99.0	\$ 102.0	
% of sales	37.2 %	35.6 %	
Operating expenses	\$ 68.4	\$ 72.8	
% of sales	25.7 %	25.4 %	
Operating earnings	\$ 30.6	\$ 29.2	4.8 %
% of sales	11.5 %	10.2 %	

- Organic sales down \$17.9 million or 6.3%
  - Lower sales to the military and in the segment's European-based hand tools business
- Gross margin improved 160 bps to 37.2% primarily due to savings from ongoing RCI initiatives, particularly in Europe, partially offset by higher restructuring costs
- Operating expense margin of 25.7% increased 30 bps from 2012 levels primarily as a result of the lower sales partially offset by lower restructuring costs
- Operating earnings of \$30.6 million increased 4.8%; operating margin of 11.5% improved 130 bps

# Snap-on Tools – 1<sup>st</sup> Quarter

(\$ in millions - unaudited)	2013	2012	Change
Segment sales	\$ 327.3	\$ 316.6	3.4 %
➤ Organic sales	11.6		3.7 %
➤ Currency translation	(0.9)		(0.3)%
Gross profit	\$ 143.9	\$ 139.0	
% of sales	44.0 %	43.9 %	
Operating expenses	\$ 96.7	\$ 92.9	
% of sales	29.6 %	29.3 %	
Operating earnings	\$ 47.2	\$ 46.1	2.4 %
% of sales	14.4 %	14.6 %	

- Organic sales up \$11.6 million, or 3.7%, reflecting sales gains across both the company's U.S. and international franchise operations
- Gross profit of \$143.9 million up \$4.9 million from 2012; gross margin of 44.0% compares to 43.9% last year
- Operating expenses increased \$3.8 million primarily due to higher volume-related and other expenses; operating expense margin of 29.6% increased from 29.3% last year
- Operating earnings of \$47.2 million up \$1.1 million or 2.4%; operating margin of 14.4% compares to 14.6% in 2012



# Repair Systems & Information – 1<sup>st</sup> Quarter

(\$ in millions - unaudited)	2013	2012	Change
Segment sales	\$ 246.1	\$ 226.1	8.8 %
➤ Organic sales	21.0		9.3 %
➤ Currency translation	(1.0)		(0.5)%
Gross profit	\$ 114.0	\$ 106.7	
% of sales	46.3 %	47.2 %	
Operating expenses	\$ 57.5	\$ 58.1	
% of sales	23.3 %	25.7 %	
Operating earnings	\$ 56.5	\$ 48.6	16.3 %
% of sales	23.0 %	21.5 %	

- Organic sales up \$21 million or 9.3%
  - Higher sales to OEM dealerships and increased sales of diagnostics and repair information products to repair shop owners and managers
- Gross profit increased \$7.3 million; gross profit margin down 90 bps to 46.3% due to a shift in sales mix, partially offset by savings from ongoing RCI initiatives
- Operating expense margin improved 240 bps, to 23.3%, primarily due to benefits from sales volume leverage and contributions from RCI initiatives
- Operating earnings of \$56.5 million increased \$7.9 million or 16.3%; operating margin of 23.0% improved 150 bps from 21.5% last year

# Financial Services – 1<sup>st</sup> Quarter

<i>(\$ in millions - unaudited)</i>	<b>2013</b>	<b>2012</b>
Segment revenue	\$ 44.0	\$ 38.0
Operating earnings	\$ 30.5	\$ 23.9
Originations	\$ 171.9	\$ 156.3

- Operating earnings up \$6.6 million, or 27.6%, primarily due to continued growth of the on-book finance portfolio
- Originations increased 10.0% year over year

# Financial Services Portfolio Data

	Snap-on Credit (United States)		International Finance Subsidiaries	
	Extended Credit	Total	Extended Credit	Total
<i>(\$ in millions - unaudited)</i>				
Gross on-book finance portfolio	\$ 745.2	\$ 932.3	\$ 112.5	\$ 169.0
CIT receivables managed by SOC:				
March 2013	\$ 7.6	\$ 43.4		
December 2012	\$ 11.5	\$ 53.8		
On-book and managed portfolio net losses (TTM)	\$ 16.0	\$ 17.0	\$ 1.2	\$ 2.0
60+ Delinquency:				
As of 3/31/13	1.3 %	1.1 %	0.9 %	0.9 %
As of 12/31/12	1.5 %	1.2 %	0.6 %	0.8 %
As of 9/30/12	1.4 %	1.1 %	0.8 %	0.9 %
As of 6/30/12	1.2 %	1.0 %	0.8 %	0.8 %

- Gross on-book finance portfolio of \$1,101.3 million compares to \$1,084.3 million as of 2012 year end
- Anticipated total gross on-book portfolio increase in 2013 of \$80 - 90 million
- TTM – Trailing twelve months

# Cash Flow

(\$ in millions - unaudited)	1st Quarter	
	2013	2012
<b>Net cash provided by operating activities</b>	<b>\$ 75.7</b>	<b>\$ 65.0</b>
Net cash provided (used) due to:		
➤ Net earnings	85.1	73.0
➤ Depreciation and amortization	18.8	19.0
➤ Changes in deferred income taxes	14.4	13.4
➤ Changes in working investment	(5.5)	13.9
➤ Changes in all other operating activities	(37.1)	(54.3)
Net increase in finance receivables	\$ (21.9)	\$ (29.4)
Capital expenditures	\$ (14.7)	\$ (21.8)
Free cash flow	\$ 39.1	\$ 13.8
<b>Free cash flow from Operations</b>	<b>\$ 72.5</b>	<b>\$ 48.9</b>
<b>Free cash flow from Financial Services</b>	<b>\$ (33.4)</b>	<b>\$ (35.1)</b>
Decrease in cash	\$ (0.9)	\$ (24.0)

- 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 less capital expenditures

# Balance Sheet

<i>(\$ in millions - unaudited)</i>	<b>March 30, 2013</b>	<b>December 29, 2012</b>
Trade & Other Accounts Receivable - net	\$ 500.2	\$ 497.9
Days Sales Outstanding	61	61
Finance Receivables - net	\$ 831.9	\$ 817.7
Contract Receivables - net	\$ 260.2	\$ 257.1
Inventory - net	\$ 401.3	\$ 404.2
Inventory turns - TTM	3.9	3.9
Cash	\$ 213.6	\$ 214.5
Debt - Operations	\$ 118.2	\$ 148.4
Debt - Financial Services	\$ 861.2	\$ 827.2
Total debt	\$ 979.4	\$ 975.6
Net debt	\$ 765.8	\$ 761.1
Net debt to capital ratio	29.5 %	29.7 %

- Increased levels of finance and contract receivables reflect the continued growth of the company's on-book finance portfolio