

SNAP-ON Inc  
Form 10-Q  
April 20, 2017  
Table of Contents

**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 **April 1, 2017**

**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**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of incorporation)

**39-0622040**  
(I.R.S. Employer Identification No.)

**2801 80<sup>th</sup> Street, Kenosha, Wisconsin**  
(Address of principal executive offices)

**53143**  
(Zip code)

**(262) 656-5200**

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

## Edgar Filing: SNAP-ON Inc - Form 10-Q

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 April 14, 2017
Common Stock, \$1.00 par value	57,949,110 shares

**Table of Contents****TABLE OF CONTENTS**

	Page
<b><u>Part I: Financial Information</u></b>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Statements of Earnings (unaudited) Three Months Ended April 1, 2017, and April 2, 2016</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income (unaudited) Three Months Ended April 1, 2017, and April 2, 2016</u>	4
<u>Condensed Consolidated Balance Sheets (unaudited) April 1, 2017, and December 31, 2016</u>	5-6
<u>Condensed Consolidated Statements of Equity (unaudited) Three Months Ended April 1, 2017, and April 2, 2016</u>	7
<u>Condensed Consolidated Statements of Cash Flows (unaudited) Three Months Ended April 1, 2017, and April 2, 2016</u>	8
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	9-33
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34-48
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	49-50
Item 4. <u>Controls and Procedures</u>	50-51
<b><u>Part II: Other Information</u></b>	
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	51-52
Item 6. <u>Exhibits</u>	53
<u>Signatures</u>	54
<u>Exhibit Index</u>	55

**Table of Contents****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	
	April 1, 2017	April 2, 2016
Net sales	\$ 887.1	\$ 834.2
Cost of goods sold	(439.1)	(418.9)
Gross profit	448.0	415.3
Operating expenses	(278.5)	(259.9)
Operating earnings before financial services	169.5	155.4
Financial services revenue	76.8	66.3
Financial services expenses	(24.3)	(19.3)
Operating earnings from financial services	52.5	47.0
Operating earnings	222.0	202.4
Interest expense	(12.7)	(13.1)
Other income (expense) net	(1.7)	(0.7)
Earnings before income taxes and equity earnings	207.6	188.6
Income tax expense	(62.6)	(57.6)
Earnings before equity earnings	145.0	131.0
Equity earnings, net of tax	0.1	0.3
Net earnings	145.1	131.3
Net earnings attributable to noncontrolling interests	(3.5)	(3.0)
Net earnings attributable to Snap-on Incorporated	\$ 141.6	\$ 128.3
Net earnings per share attributable to Snap-on Incorporated:		
Basic	\$ 2.45	\$ 2.21
Diluted	2.39	2.16
Weighted-average shares outstanding:		
Basic	57.9	58.1
Effect of dilutive securities	1.4	1.4

Edgar Filing: SNAP-ON Inc - Form 10-Q

Diluted		59.3	59.5
Dividends declared per common share		\$ 0.71	\$ 0.61
	See Notes to Condensed Consolidated Financial Statements.		

**Table of Contents**

**SNAP-ON INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in millions)

(Unaudited)

	Three Months Ended	
	April 1, 2017	April 2, 2016
<b>Comprehensive income (loss):</b>		
Net earnings	\$ 145.1	\$ 131.3
<b>Other comprehensive income (loss):</b>		
Foreign currency translation*	38.1	19.9
<b>Unrealized cash flow hedges, net of tax:</b>		
Reclassification of cash flow hedges from accumulated other comprehensive loss	6.1	
Reclassification of cash flow hedges to net earnings	(0.3)	(0.1)
<b>Defined benefit pension and postretirement plans:</b>		
Amortization of net unrecognized losses and prior service credits included in net periodic benefit cost	6.5	6.8
Income tax benefit	(2.3)	(2.5)
<b>Net of tax</b>	<b>4.2</b>	<b>4.3</b>
<b>Total comprehensive income</b>	<b>\$ 193.2</b>	<b>\$ 155.4</b>
<b>Comprehensive income attributable to noncontrolling interests</b>	<b>(3.5)</b>	<b>(3.0)</b>
<b>Comprehensive income attributable to Snap-on Incorporated</b>	<b>\$ 189.7</b>	<b>\$ 152.4</b>

\*There is no reclassification adjustment as there was no sale or liquidation of any foreign entity during any period presented.  
See Notes to Condensed Consolidated Financial Statements.

**Table of Contents**

**SNAP-ON INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Amounts in millions, except share data)

(Unaudited)

	April 1, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 123.0	\$ 77.6
Trade and other accounts receivable net	608.1	598.8
Finance receivables net	484.7	472.5
Contract receivables net	84.5	88.1
Inventories net	556.8	530.5
Prepaid expenses and other assets	117.0	116.5
<b>Total current assets</b>	<b>1,974.1</b>	<b>1,884.0</b>
Property and equipment:		
Land	20.9	19.1
Buildings and improvements	323.5	309.4
Machinery, equipment and computer software	826.2	809.6
	1,170.6	1,138.1
Accumulated depreciation and amortization	(733.1)	(712.9)
Property and equipment net	437.5	425.2
Deferred income tax assets	68.0	72.8
Long-term finance receivables net	966.3	934.5
Long-term contract receivables net	292.6	286.7
Goodwill	859.8	895.5
Other intangibles net	240.4	184.6
Other assets	39.1	39.9
<b>Total assets</b>	<b>\$ 4,877.8</b>	<b>\$ 4,723.2</b>

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents**

**SNAP-ON INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Amounts in millions, except share data)

(Unaudited)

	April 1, 2017	December 31, 2016
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Notes payable and current maturities of long-term debt	\$ 267.2	\$ 301.4
Accounts payable	189.9	170.9
Accrued benefits	52.5	52.8
Accrued compensation	61.5	89.8
Franchisee deposits	66.1	66.7
Other accrued liabilities	334.3	307.9
<b>Total current liabilities</b>	<b>971.5</b>	<b>989.5</b>
Long-term debt	755.4	708.8
Deferred income tax liabilities	24.4	13.1
Retiree health care benefits	35.9	36.7
Pension liabilities	230.7	246.5
Other long-term liabilities	94.1	93.4
<b>Total liabilities</b>	<b>2,112.0</b>	<b>2,088.0</b>
Commitments and contingencies (Note 14)		
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 67,407,307 and 67,400,250 shares, respectively)	67.4	67.4
Additional paid-in capital	320.8	317.3
Retained earnings	3,485.2	3,384.9
Accumulated other comprehensive loss	(450.4)	(498.5)
Treasury stock at cost (9,458,237 and 9,450,393 shares, respectively)	(675.3)	(653.9)