

The TORO logo, featuring the word "TORO" in white, bold, sans-serif capital letters inside a red rounded square.

THE TORO
COMPANY

THE TORO COMPANY

Q1 2024 EARNINGS RELEASE

March 7, 2024



Safe Harbor

This presentation contains forward-looking statements, which are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current assumptions and expectations of future events and often can be identified by words such as "believe," "forward," "future," "goal," "guidance," "improve," "may," "outlook," "plan," "should," "target" and "would," variations of such words or the negative thereof, and similar expressions or future dates. Forward-looking statements in this presentation include our fiscal 2024 financial guidance and expectations regarding demand trends, supply chain stabilization and AMP. Forward-looking statements involve risks and uncertainties that could cause actual events and results to differ materially from those projected or implied. Such risks and uncertainties include: adverse worldwide economic conditions; the effect of abnormal weather patterns; customer, government and municipal revenue, budget spending levels and cash conservation efforts; loss of any substantial customer; inventory adjustments or changes in purchasing patterns by customers; fluctuations in the cost and availability of commodities, components, parts, and accessories; disruption at or in proximity to our facilities or certain third parties; risks associated with acquisitions and dispositions; impacts of our AMP initiative and any future restructuring activities or productivity or cost savings initiatives; and other risks and uncertainties described in our most recent annual report on Form 10-K, subsequent quarterly reports on Form 10-Q or current reports on Form 8-K, and other filings with the Securities and Exchange Commission. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances occurring or existing after the date of this presentation.

This presentation also contains non-GAAP financial measures and more information about our use of such non-GAAP financial measures, as well as a reconciliation of the most directly comparable historical U.S. GAAP financial measures to the corresponding historical non-GAAP financial measures, which can be found in our related financial filings in the section titled "Non-GAAP Financial Measures".

All financial results contained within this presentation are based on fiscal quarter ending February 2 figures



Overview

The Toro Company:

Built on Strong Relationships and Our Legacy of Excellence



OUR PURPOSE

To help our customers enrich the beauty, productivity and sustainability of the land.



OUR VISION

To be the most trusted leader in solutions for the outdoor environment. Every day. Everywhere.



OUR MISSION

To deliver superior innovation and to deliver superior customer care.





Q1 2024 Key Messages

1

The first quarter was in-line with our expectations, as we drove exceptional top-line growth for our underground and specialty construction, and golf and grounds businesses, and continued to align production to demand trends

2

The strength in our construction and golf and grounds businesses was offset by lower shipments of zero-turn mowers, as expected, given elevated field inventories of these products heading into the fiscal year, and lower shipments of snow and ice management products, due to below-average snowfall

3

Our multi-year productivity initiative, "AMP," is off to a great start and we are on track to deliver more than \$100 million in annualized cost savings by fiscal 2027

4

For fiscal 2024, the company continues to expect low-single-digit total company net sales growth and *adjusted diluted EPS in the range of \$4.25 to \$4.35



Q1 2024 Financial Highlights

(Year-over-year comparisons below)

-12.8%

NET SALES
DECLINE

Decrease was primarily due to lower shipments of zero-turn mowers, and snow and ice management products, partially offset by higher shipments of underground and specialty construction products, golf and grounds equipment, and residential walk-power mowers and portable power products

-10 bps

ADJUSTED GROSS
MARGIN*

Slight decrease was primarily due to unfavorable product mix within the residential segment, mostly offset by favorable product mix within the professional segment

-270 bps

ADJUSTED OPERATING
EARNINGS MARGIN*

Lower net sales volume also contributed to the year-over-year decline in profitability

Q1 reflects continued rebalancing in homeowner markets and the light snowfall activity, partially offset by sustained strength in key professional end markets

Amplifying Maximum Productivity (“AMP”)

Major productivity initiative expected to result in more than \$100M of incremental annual cost savings by fiscal 2027, a portion of which the company intends to prudently reinvest

3 Key Focus Areas for Transformation:

Supply Base

1

Design-to-Value

2

Route-to-Market

3

Q1 2024 Other Notable Highlights



Continued to Leverage Innovation Investments

New Groundsmaster® e3200 out-front rotary mower leverages our proprietary Hypercell™ smart battery system



Extended 10-Year Partnership

Partnering with other industry leaders to share knowledge and solutions that promote environmental benefits



Leadership Highlighted at 2024 GCSAA Trade Show

Strength of golf end market was also evident, with the highest attendance since 2008



Named to "Most Admired Companies" List

Recognized by Fortune as one of the World's Most Admired Companies for 2024

The Toro Company is a leading provider of products and solutions

for the outdoor environment, including:

Turf & landscape maintenance

Snow & ice management

Underground utility construction

Rental/specialty construction

Irrigation

Outdoor lighting solutions



Financials

Q1 2024 Consolidated Results

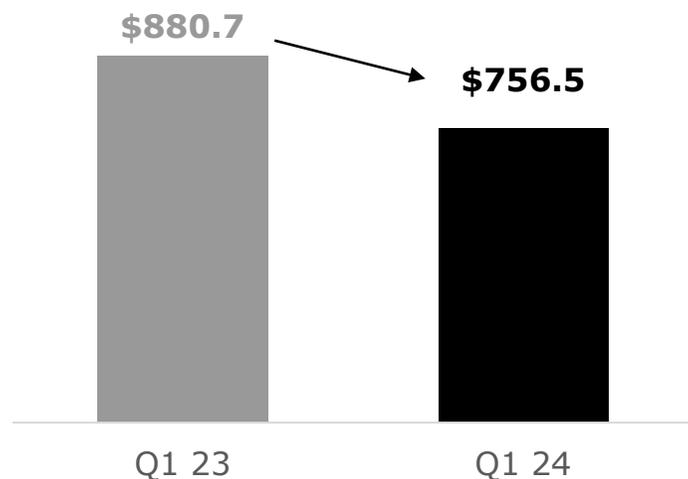
Sustained strength in businesses with elevated order backlog offset by continued caution in homeowner markets and below-average snowfall

	REPORTED			ADJUSTED*		
	Q1 24	Q1 23	Change from Q1 23	Q1 24	Q1 23	Change from Q1 23
Net Sales	\$1,001.9M	\$1,148.8M	-12.8%	\$1,001.9M	\$1,148.8M	-12.8%
Gross Profit (\$)	\$344.5M	\$395.9M	-13.0%	\$344.5M	\$396.1M	-13.0%
Gross Margin (% of Net Sales)	34.4%	34.5%	-10 bps	34.4%	34.5%	-10 bps
Operating Earnings (\$)	\$88.6M	\$136.4M	-35.0%	\$92.5M	\$136.9M	-32.4%
Operating Earnings Margin (% of Net Sales)	8.8%	11.9%	-310 bps	9.2%	11.9%	-270 bps
Earnings Before Income Taxes	\$80.1M	\$131.3M	-39.0%	\$84.0M	\$131.8M	-36.3%
Net Earnings	\$64.9M	\$106.9M	-39.3%	\$66.5M	\$103.6M	-35.8%
Diluted EPS	\$0.62	\$1.01	-38.6%	\$0.64	\$0.98	-34.7%

Professional Segment Results

NET SALES (in millions)

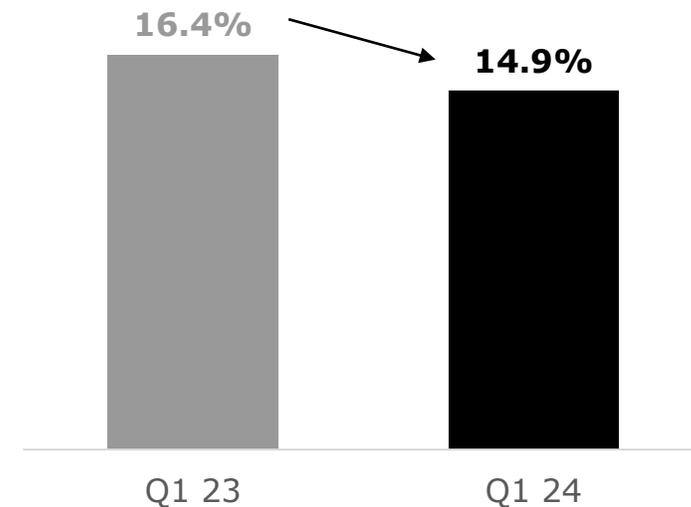
-14.1%



Decrease was primarily driven by **lower shipments of zero-turn mowers**, and **snow and ice management products**, partially offset by **higher shipments of underground and specialty construction products**, and **golf and grounds equipment**

SEGMENT EARNINGS RATE (as a percentage of net sales)

-150 bps

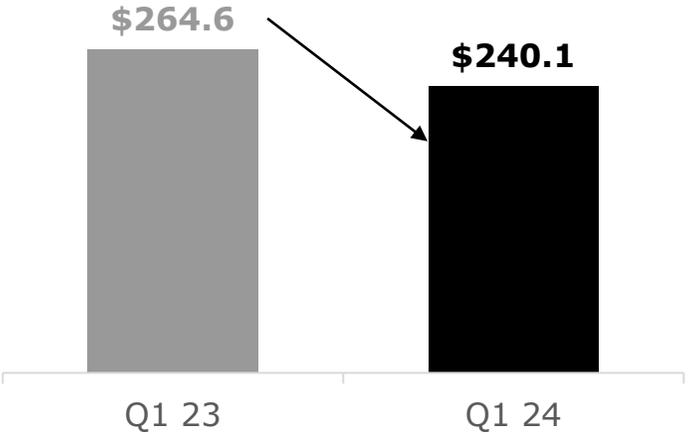


Decrease was primarily due to **lower net sales volume**, partially offset by **favorable product mix**

Residential Segment Results

NET SALES (in millions)

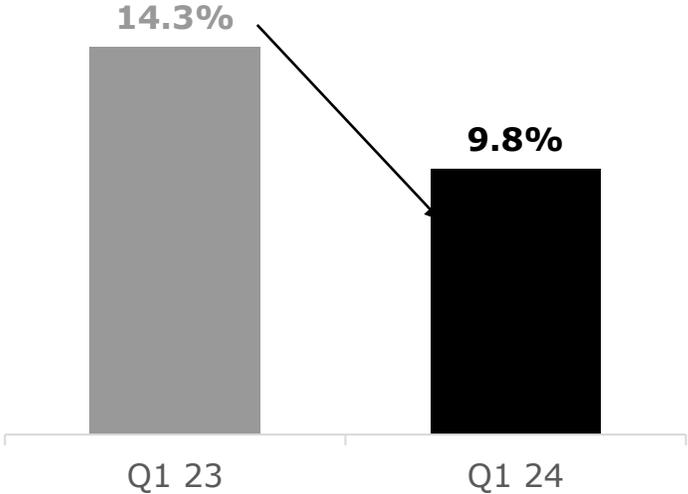
-9.3%



Decrease was primarily driven by **lower shipments of snow products and zero-turn mowers**, partially offset by **higher shipments of walk-power mowers and portable power products**

SEGMENT EARNINGS RATE (as a percentage of net sales)

-450 bps

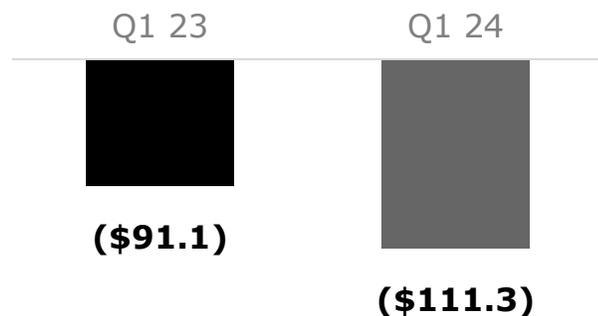


Decrease was largely driven by **product mix**

Strong Balance Sheet and Resilient Free Cash Flow

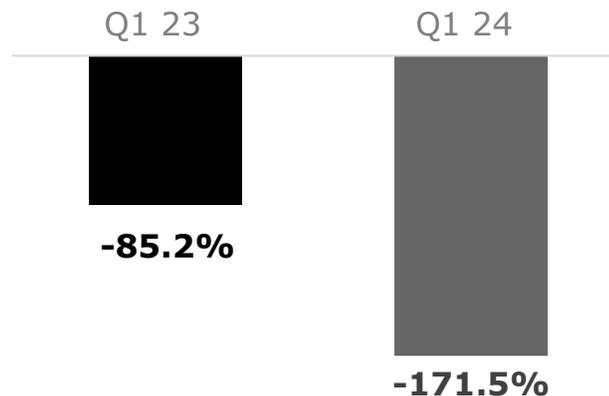
Free Cash Flow* (Three months ended)

In millions



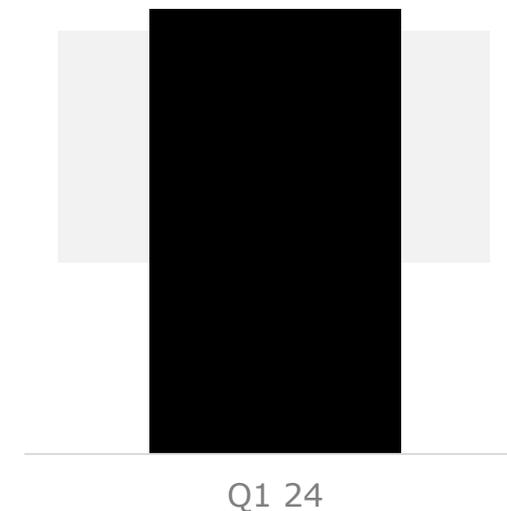
Free Cash Flow Conversion* (Three months ended)

Goal:
100%
over
time



Gross Debt to EBITDA Ratio*

Target
Range:
1.0x-
2.0x



Free cash flow was a use of cash in Q1, as expected. We expect the majority of our operating cash flow to be generated in the second half of the fiscal year, as is typical, and a conversion rate of ~100% for the full year.

Effective Capital Deployment

Consistent Strategy

1 Capital expenditures supporting organic growth with high returns

2 Strategic approach to acquisitions with disciplined process and proven track record

3 Established dividend with increases commensurate with earnings growth

4 Excess cash deployed to repurchase shares with a goal to at least offset dilution over time

FY2024 Comments

Invested \$19.1M to fund new product investments, advanced manufacturing technologies, and capacity for growth

Company continues to evaluate potential acquisitions with discipline, with an objective of accelerating profitable growth and driving meaningful value for all stakeholders

Returned \$37.6M to shareholders via regular dividends, representing a payout increase of 6% year-over-year

No shares were repurchased during the first quarter

Disciplined capital allocation drives long-term value for all stakeholders

Fiscal 2024 Guidance Reaffirmed



Net Sales Growth (%)	Low Single-Digit Growth
Adjusted Operating Earnings Margin* (%)	Slightly Higher than 2023
Adjusted Diluted EPS* (\$)	\$4.25 to \$4.35
Capital Expenditures (\$)	~\$125M
Depreciation & Amortization (\$)	\$120M to \$130M
Interest Expense	~\$59M
Adjusted Effective Tax Rate* (%)	~21%
Free Cash Flow (FCF) Conversion** (%)	~100%



Investment Thesis

1

Well positioned to win with deep expertise, leading market share positions, and best-in-class distribution and service networks – all of which create high barriers to entry

2

Attractive end markets, customer-centric innovation, and steady replacement cycles drive future organic growth

3

Building on a foundation of demonstrated consistent financial performance and cash flow generation

4

Financial headroom for strategic investments and disciplined approach to capital allocation enables delivery of value to all stakeholders



THE TORO
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APPENDIX

THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Earnings (Unaudited)
(Dollars and shares in millions, except per-share data)

	Three Months Ended	
	February 2, 2024	February 3, 2023
Net sales	\$ 1,001.9	\$ 1,148.8
Cost of sales	657.4	752.9
Gross profit	344.5	395.9
Gross margin	34.4 %	34.5 %
Selling, general and administrative expense	255.9	259.5
Operating earnings	88.6	136.4
Interest expense	(16.2)	(14.1)
Other income, net	7.7	9.0
Earnings before income taxes	80.1	131.3
Income tax provision	15.2	24.4
Net earnings	\$ 64.9	\$ 106.9
Basic net earnings per share of common stock	\$ 0.62	\$ 1.02
Diluted net earnings per share of common stock	\$ 0.62	\$ 1.01
Weighted-average number of shares of common stock outstanding — Basic	104.4	104.5
Weighted-average number of shares of common stock outstanding — Diluted	104.7	105.6

Segment Data (Unaudited)
(Dollars in millions)

	Three Months Ended	
	February 2, 2024	February 3, 2023
Segment net sales		
Professional	\$ 756.5	\$ 880.7
Residential	240.1	264.6
Other	5.3	3.5
Total net sales*	\$ 1,001.9	\$ 1,148.8
*Includes international net sales of:	\$ 205.0	\$ 245.4

	Three Months Ended	
	February 2, 2024	February 3, 2023
Segment earnings (loss) before income taxes		
Professional	\$ 112.8	\$ 144.1
Residential	23.5	37.8
Other	(56.2)	(50.6)
Total segment earnings before income taxes	\$ 80.1	\$ 131.3

THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in millions)

	February 2, 2024	February 3, 2023	October 31, 2023
ASSETS			
Cash and cash equivalents	\$ 198.5	\$ 174.0	\$ 193.1
Receivables, net	489.1	377.3	407.4
Inventories, net	1,177.1	1,131.4	1,087.8
Prepaid expenses and other current assets	101.8	75.0	110.5
Total current assets	1,966.5	1,757.7	1,798.8
Property, plant, and equipment, net	639.2	584.1	641.7
Goodwill	451.2	584.6	450.8
Other intangible assets, net	531.5	577.1	540.1
Right-of-use assets	121.8	74.6	125.3
Investment in finance affiliate	48.4	45.7	50.6
Deferred income taxes	20.3	11.7	14.2
Other assets	22.2	19.4	22.8
Total assets	\$ 3,801.1	\$ 3,654.9	\$ 3,644.3

THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in millions)

	February 2, 2024	February 3, 2023	October 31, 2023
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	\$ 6.8	\$ —	\$ —
Accounts payable	421.8	475.2	430.0
Accrued liabilities	474.5	496.8	499.1
Short-term lease liabilities	18.8	16.0	19.5
Total current liabilities	921.9	988.0	948.6
Long-term debt, less current portion	1,179.8	1,091.0	1,031.5
Long-term lease liabilities	108.4	60.7	112.1
Deferred income taxes	0.4	31.4	0.4
Other long-term liabilities	42.7	39.6	40.8
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	104.0	104.3	103.8
Retained earnings	1,478.9	1,368.5	1,444.1
Accumulated other comprehensive loss	(35.0)	(28.6)	(37.0)
Total stockholders' equity	1,547.9	1,444.2	1,510.9
Total liabilities and stockholders' equity	\$ 3,801.1	\$ 3,654.9	\$ 3,644.3

THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in millions)

	Three Months Ended	
	February 2, 2024	February 3, 2023
Cash flows from operating activities:		
Net earnings	\$ 64.9	\$ 106.9
Adjustments to reconcile net earnings to net cash used in operating activities:		
Non-cash income from finance affiliate	(5.0)	(3.8)
Distributions from (contributions to) finance affiliate, net	7.2	(2.6)
Depreciation of property, plant, and equipment	22.0	19.2
Amortization of other intangible assets	8.7	9.1
Stock-based compensation expense	8.4	5.2
Other	1.1	—
Changes in operating assets and liabilities, net of the effect of acquisitions:		
Receivables, net	(80.2)	(42.5)
Inventories, net	(86.4)	(76.8)
Other assets	6.5	(1.6)
Accounts payable	(10.3)	(103.6)
Other liabilities	(29.1)	21.6
Net cash used in operating activities	(92.2)	(68.9)

THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in millions)

	Three Months Ended	
	February 2, 2024	February 3, 2023
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(19.1)	(29.3)
Proceeds from insurance claim	—	7.1
Proceeds from asset disposals	—	0.3
Net cash used in investing activities	(19.1)	(21.9)
Cash flows from financing activities:		
Net borrowings under the revolving credit facility ¹	155.0	100.0
Proceeds from exercise of stock options	1.5	14.0
Payments of withholding taxes for stock awards	(2.2)	(2.6)
Dividends paid on TTC common stock	(37.6)	(35.5)
Other	(2.6)	(1.5)
Net cash provided by financing activities	114.1	74.4
Effect of exchange rates on cash and cash equivalents	2.6	2.2
Net increase (decrease) in cash and cash equivalents	5.4	(14.2)
Cash and cash equivalents as of the beginning of the fiscal period	193.1	188.2
Cash and cash equivalents as of the end of the fiscal period	\$ 198.5	\$ 174.0

¹ Presentation of prior year revolving credit facility and long-term debt activity has been conformed to the current year presentation. There was no change to net cash provided by financing activities.



Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures, which are not calculated or presented in accordance with U.S. GAAP, as information supplemental and in addition to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP. The non-GAAP financial measures included within this presentation, as applicable, consist of gross profit, gross margin, operating earnings, earnings before income taxes, net earnings, net earnings per diluted share and the effective tax rate, each as adjusted, as well as free cash flow, free cash flow conversion percentage, return on average invested capital and return on average equity.

Management believes that the presentation of these non-GAAP measures provides useful information to investors and that these measures may assist investors in evaluating our core operational performance and cash flows, as a measure of our liquidity.

This Appendix includes a reconciliation of the historical non-GAAP financial measures used in the presentation to the most directly historical comparable GAAP financial measures.

Reconciliations of forward-looking non-GAAP guidance to projected U.S. GAAP guidance is not provided because it would require an unreasonable effort to do so.

Non-GAAP financial measures have limitations as analytical tools, and should not be considered in isolation, or as a substitute for, our financial measures prepared in accordance with U.S. GAAP.

Investors should note that any non-GAAP financial measure we use may not be the same non-GAAP financial measure, and may not be calculated in the same manner, as that of other companies.

THE TORO COMPANY AND SUBSIDIARIES
Reconciliation of Non-GAAP Financial Measures (Unaudited)
(Dollars in millions, except per-share data)

The following table provides a reconciliation of the non-GAAP financial performance measures used in this press release and our related earnings call to the most directly comparable measures calculated and reported in accordance with U.S. GAAP for the three month periods ended February 2, 2024 and February 3, 2023:

	Three Months Ended	
	February 2, 2024	February 3, 2023
Gross profit	\$ 344.5	\$ 395.9
Acquisition-related costs ¹	—	0.2
Adjusted gross profit	\$ 344.5	\$ 396.1
Operating earnings	\$ 88.6	\$ 136.4
Acquisition-related costs ¹	—	0.5
Productivity initiative ²	3.9	—
Adjusted operating earnings	\$ 92.5	\$ 136.9
Operating earnings margin	8.8 %	11.9 %
Productivity initiative ²	0.4 %	— %
Adjusted operating earnings margin	9.2 %	11.9 %

THE TORO COMPANY AND SUBSIDIARIES
Reconciliation of Non-GAAP Financial Measures (Unaudited)
(Dollars in millions, except per-share data)

The following table provides a reconciliation of the non-GAAP financial performance measures used in this press release and our related earnings call to the most directly comparable measures calculated and reported in accordance with U.S. GAAP for the three month periods ended February 2, 2024 and February 3, 2023:

	Three Months Ended	
	February 2, 2024	February 3, 2023
Earnings before income taxes	\$ 80.1	\$ 131.3
Acquisition-related costs ¹	—	0.5
Productivity initiative ²	3.9	—
Adjusted earnings before income taxes	\$ 84.0	\$ 131.8
Income tax provision	\$ 15.2	\$ 24.4
Acquisition-related costs ¹	—	0.2
Productivity initiative ²	0.8	—
Tax impact of share-based compensation ³	1.5	3.6
Adjusted income tax provision	\$ 17.5	\$ 28.2
Net earnings	\$ 64.9	\$ 106.9
Acquisition-related costs, net of tax ¹	—	0.3
Productivity initiative, net of tax ²	3.1	—
Tax impact of share-based compensation ³	(1.5)	(3.6)
Adjusted net earnings	\$ 66.5	\$ 103.6

THE TORO COMPANY AND SUBSIDIARIES
Reconciliation of Non-GAAP Financial Measures (Unaudited)
(Dollars in millions, except per-share data)

The following table provides a reconciliation of the non-GAAP financial performance measures used in this press release and our related earnings call to the most directly comparable measures calculated and reported in accordance with U.S. GAAP for the three month periods ended February 2, 2024 and February 3, 2023:

	Three Months Ended	
	February 2, 2024	February 3, 2023
Net earnings per diluted share	\$ 0.62	\$ 1.01
Productivity initiative, net of tax ²	0.03	—
Tax impact of share-based compensation ³	(0.01)	(0.03)
Adjusted net earnings per diluted share	\$ 0.64	\$ 0.98
Effective tax rate	19.0 %	18.6 %
Tax impact of share-based compensation ³	1.8 %	2.8 %
Adjusted effective tax rate	20.8 %	21.4 %

¹ On January 13, 2022, the company completed the acquisition of Intimidator Group. Acquisition-related costs for the three month period ended February 3, 2023 represent integration costs.

² In the first quarter of fiscal 2024, the company launched the "Amplifying Maximum Productivity" or AMP initiative. The company considered the nature, frequency, and scale of this initiative compared to prior productivity initiatives when determining that the expenses associated with AMP, unlike prior productivity initiatives, are not common, normal, recurring operating expenses and are not representative of the company's ongoing business operations. Productivity initiative charges for the three month period ended February 2, 2024 primarily represent third-party consulting costs.

³ The accounting standards codification guidance governing employee stock-based compensation requires that any excess tax deduction for stock-based compensation be immediately recorded within income tax expense. Employee stock-based compensation activity, including the exercise of stock options, can be unpredictable and can significantly impact our net earnings, net earnings per diluted share, and effective tax rate. These amounts represent the discrete tax benefits recorded as excess tax deductions for stock-based compensation during the three month periods ended February 2, 2024 and February 3, 2023.

Reconciliation of Non-GAAP Liquidity Measures

The company defines free cash flow as net cash provided by operating activities less purchases of property, plant and equipment, net of proceeds from insurance claim. Free cash flow conversion percentage represents free cash flow as a percentage of net earnings. The company considers free cash flow and free cash flow conversion percentage to be non-GAAP liquidity measures that provide useful information to management and investors about the company's ability to convert net earnings into cash resources that can be used to pursue opportunities to enhance shareholder value, fund ongoing and prospective business initiatives, and strengthen the company's Consolidated Balance Sheets, after reinvesting in necessary capital expenditures required to maintain and grow the company's business.

The following table provides a reconciliation of non-GAAP free cash flow and free cash flow conversion percentage to net cash provided by operating activities, which is the most directly comparable financial measure calculated and reported in accordance with U.S. GAAP, for the three month periods ended February 2, 2024 and February 3, 2023:

(Dollars in millions)	Three Months Ended	
	February 2, 2024	February 3, 2023
Net cash used in operating activities	\$ (92.2)	\$ (68.9)
Less: Purchases of property, plant and equipment, net of proceeds from insurance claim	19.1	22.2
Free cash flow	(111.3)	(91.1)
Net earnings	\$ 64.9	\$ 106.9
Free cash flow conversion percentage	(171.5)%	(85.2)%

Gross Debt to EBITDA Ratio

(\$ millions)	Q2 23	Q3 23	Q4 23	Q1 24	Total
Short Term Debt	-	-	-	-	-
Long Term Debt	\$1,041.2	\$1,061.3	\$1,031.5	\$1,186.6	\$1,186.6
Gross Debt	\$1,041.2	\$1,061.3	\$1,031.5	\$1,186.6	\$1,186.6
Earnings Before Income Taxes	\$210.8	(\$28.6)	\$86.9	\$80.1	\$349.2
Interest Expense	\$14.7	\$15.0	\$14.9	\$16.2	\$60.8
Depreciation and Amortization	\$27.9	\$27.2	\$35.8	\$30.7	\$121.6
EBITDA	\$253.4	\$13.6	\$137.6	\$127.0	\$531.6
Leverage Ratio					2.2x