

THE TORO COMPANY

Serving Customers Through Superior Innovation and Superior Customer Care

Investor Presentation
August 2017



UNIQUE
LIGHTING SYSTEMS®



HAYTER
MAKERS OF THE FINEST MOWERS



Irritrol



FORWARD-LOOKING STATEMENTS

- This presentation contains forward-looking statements regarding our business and future financial and operating results 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. Actual events and results may differ from those predicted.
- Please refer to the cautionary statement and risk factors in our most recent annual report on Form 10-K, subsequent quarterly reports on Form 10-Q, and other filings with the Securities and Exchange Commission.

The Toro Company

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.

Help Our Customers

Most Trusted

Superior Innovation & Superior Customer Care

OUR GUIDING PRINCIPLES

The Toro Company's success is founded on a long history of caring relationships based on trust and integrity. These relationships are the foundation on which we build market leadership with the best in innovative products and solutions to make outdoor environments beautiful, productive, and sustainable. We are entrusted to strengthen this legacy of excellence.

Caring Relationships



INVESTOR THESIS

(NYSE: TTC)

Summary

- Rich History and Deep Expertise in Solutions for the Outdoor Environment & Development of Distribution and Customer Care Networks
- Diverse Portfolio of Markets & Products
- Innovation & Brand Leadership
- 2014 Centennial—Launched Second Century



Opportunities

- Top-Line Growth Potential
- Margin Expansion Opportunity
- Strong Balance Sheet



COMPANY HIGHLIGHTS

(NYSE: TTC)

Fiscal 2016

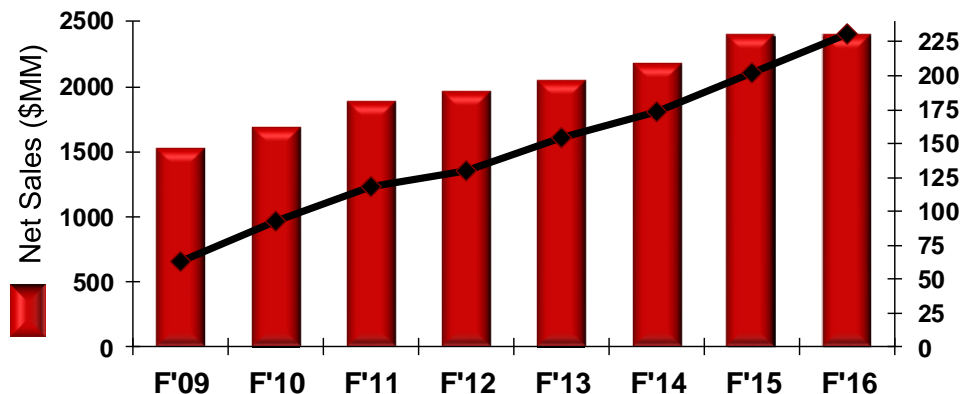
- Net sales grew 0.1% to \$2.392 billion dollars
- EPS grew 15.7% to a record \$2.06
- Professional segment sales drove full year positive results

2017 Year to Date

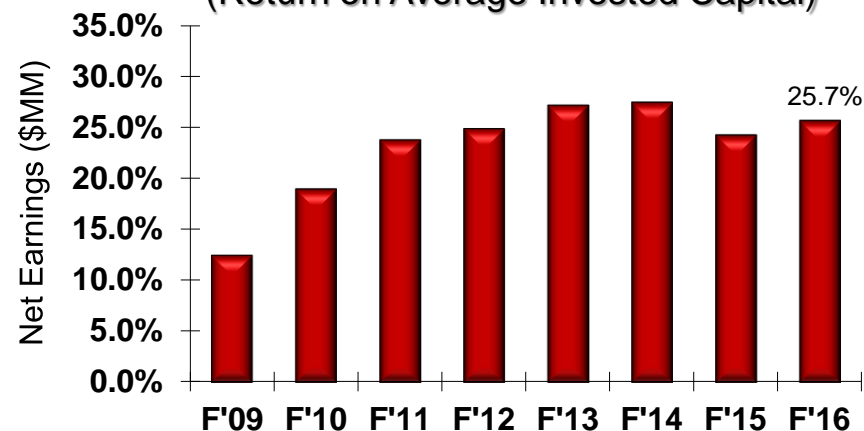
- Net sales grew 4.8% to \$2.017 billion dollars
- EPS grew 17.3% to a record \$2.10
- Strong results driven by demand for professional segment products

Financial Performance

(Net Sales & Earnings)



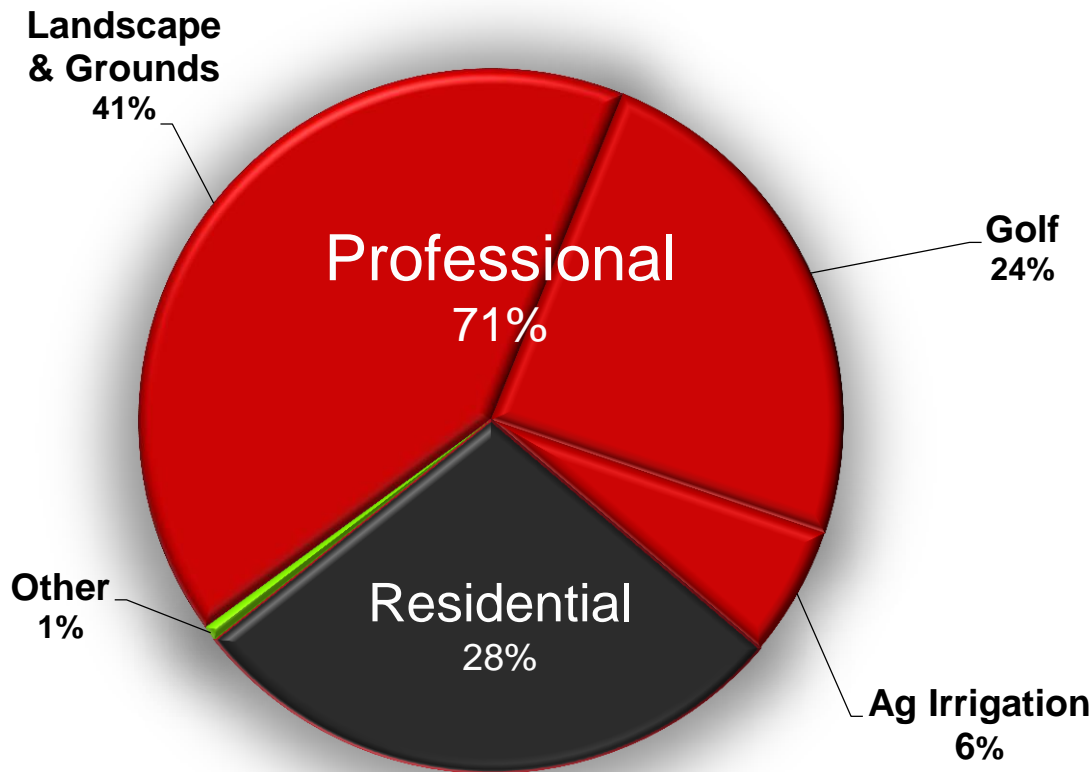
(Return on Average Invested Capital)



DIVERSE PORTFOLIO

F'16 REVENUES—\$2.4 BILLION

Segments & Markets



Professional

F'16 Sales: \$1.71B

F'16 Segment Earnings: 20.6%

- Innovation leader
- Performance, productivity & customer care relationships valued by customers
- Planned & more regular customer spending
- Higher margins

Residential

F'16 Sales: \$669M

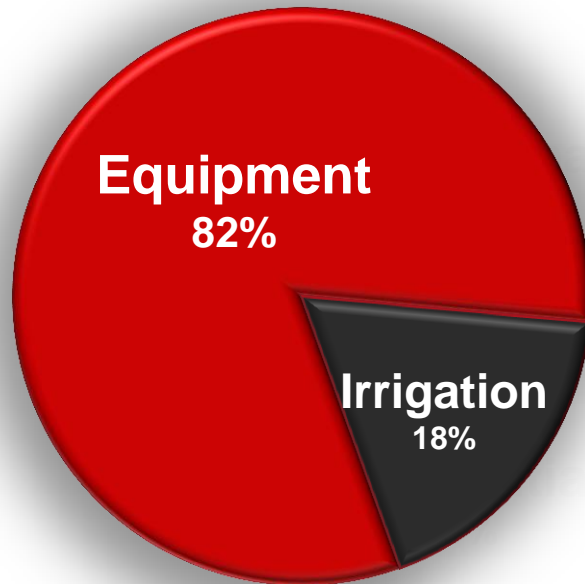
F'16 Segment Earnings: 11.0%

- Powerful brands
- Strong sales channel & service network
- Innovation, quality & durability rewarded by customers

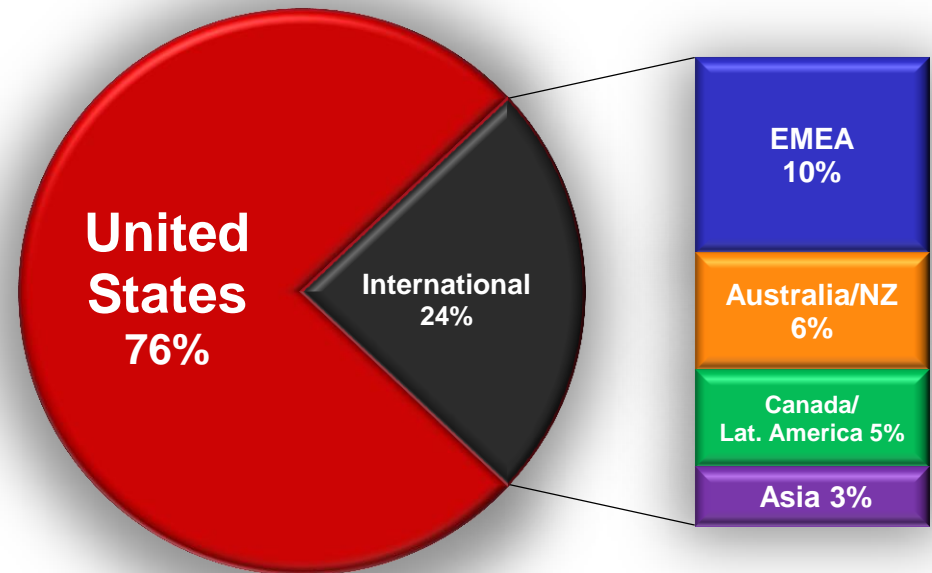
DIVERSE PORTFOLIO

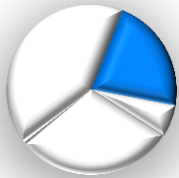
F'16 REVENUES—\$2.4 BILLION

Products



Geography





PROFESSIONAL - GOLF

- **Worldwide Market**



- **Turf Equipment & Irrigation Systems**

- **Fundamentals & Opportunities**

- Existing Courses Replacing Equipment & Aging Irrigation Systems
- International New Golf Course Development

- **TTC Advantage**

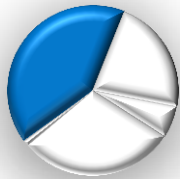


- Powerful Brand
- Innovation & Performance—Share Gain & Margin Expansion
- Strong Network of Distributors, Relationships & Customer Care

- **Key Competitors**

- Worldwide Competitors
 - Equipment—Deere, Jacobsen (Textron)
 - Irrigation—Rainbird





PROFESSIONAL - LANDSCAPE & GROUNDS

Turf Equipment



Irrigation & Lighting

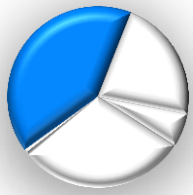


Snow & Ice Management





Rental & Specialty Construction








PROFESSIONAL—LANDSCAPE & GROUNDS

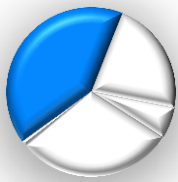
Turf Equipment

- **Worldwide Market**
 - Professional Landscape Maintenance, Sports Fields, Municipalities, Universities & Schools
- **Fundamentals & Opportunities**
 - Heavy Use Drives Replacement & Parts
 - Rural, Municipal & International Opportunities
- **TTC Advantage**
 - ZTR Leadership  
 - Product Innovation, Durability & Quality
 - Toro & Exmark Channel Strength
- **Key Competitors**
 - Scag, Deere, Hustler, Kubota
 - + Many Smaller Competitors



Snow & Ice Management

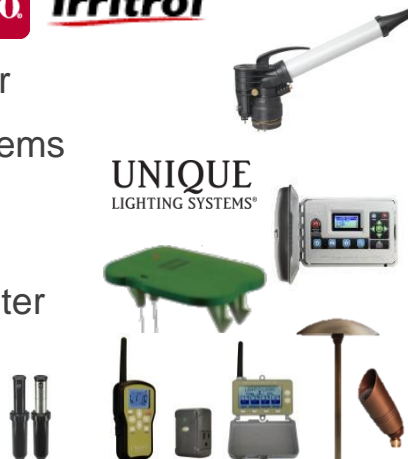
- **Worldwide Market**
 - Professional Snow Removal, Municipalities
- **Fundamentals & Opportunities**
 - Critical Products for Event Driven Non-Discretionary Services
 - Severe Environments Drive Replacement & Parts
 - Product Expansion & International Opportunities
- **TTC Advantage**  
 - Strong Brand & Market Leadership
 - Product Innovation, Durability & Quality
 - Regional Channel Strength
- **Key Competitors** 
 - Douglas Dynamics (Western, Fisher, Blizzard), Meyer, Sno-Way, Curtis, Buyer's, Hiniker





PROFESSIONAL—LANDSCAPE & GROUNDS (CONTINUED)

Irrigation & Lighting

- **Worldwide Market**
 - Residential & Commercial Applications
 - Contractor Installed
- **Fundamentals & Opportunities**
 - Housing / Commercial Construction Recovery
 - Share Expansion Opportunities
 - Increasing Demand for Efficient Water Solutions
- **TTC Advantage**  
 - Innovation Leadership for Irrigation & Lighting Systems
- **Key Competitors**
 - Irrigation—Rainbird, Hunter
 - Lighting—FX, Vista




Rental & Specialty Construction

- **Worldwide Market**
 - Rental—Rental Companies & Contractors
 - Construction—Utility Contractors & Public Works
- **Fundamentals & Opportunities**
 - Rental—Heavy Use Drives Replacement & Parts; Customer Rent & Buy Opportunities
 - Construction—Infrastructure Development & Utility Improvements
- **TTC Advantage**  
 - Leverage Brand & Product Leadership
 - Innovation & International Opportunities
- **Key Competitors**
 - Rental—Vermeer, Ditch Witch, Wacker, Multi Quip, + Various Others
 - Construction—Vermeer, Ditch Witch



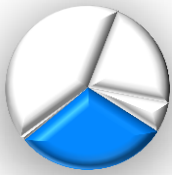


PROFESSIONAL— AGRICULTURE IRRIGATION






- **Worldwide Market**
- **Micro-Irrigation Solutions**
 - Drip Tape—High Value Row Crops (e.g. Onions, Strawberries)
 - Drip Line—Permanent Crops (e.g. Vineyards, Fruit Trees)
- **Fundamentals & Opportunities**
 - Efficient Water Use & Higher Demand for Food Production
 - Increase Yields & Reduce Resources (e.g. Water, Energy, Fertilizer)
- **TTC Advantage** 
 - Product Quality & Innovation—Blue Stripe® and AquaTraxx®
 - Leverage Investments in New Geographic Markets—Romania & China
 - Product Expansion Opportunities (e.g. Controls, Sensors)
- **Key Competitors**
 - Netafim, Jain Irrigation, RIVULIS (acquired from Deere by FIMI)



	Flood	Center Pivot	Micro
Acreage	50%	40%	10%
Efficiency	40%	70%	90%+



RESIDENTIAL

- **Worldwide Market**
- **Lawn, Garden & Snow Equipment**
 - Walk-Behind & ZTR Mowers, Snow Throwers, Handheld Maintenance Products
- **Fundamentals & Opportunities**
 - U.S. WPM Replacement Market (~5M WPMs/Year)
 - ZTR Growth Opportunity
 - Innovation Rewarded
- **TTC Advantage**
 - Powerful Brands    
 - Leadership in Product Innovation, Quality & Durability
 - Strong Home Center Relationship 
 - Strong Servicing Dealer Network
- **Key Competitors**
 - Craftsman, John Deere, Ariens, Husqvarna, MTD, Briggs & Stratton



MANAGEMENT DEPTH



**Toro Officer
Team**

22 Year Average

DRIVING CONTINUOUS IMPROVEMENT THROUGH EMPLOYEE INITIATIVES



F'01 – F'03

- ✓ Goal to achieve 5% PAT



F'04 – F'06

- ✓ Goal to achieve “6%+” PAT
- ✓ Goal to drive 8% 3 year compound revenue growth
- ✓ Began LEAN journey



F'07 – F'09

- Goal to drive 3 year compound revenue growth of 8%
- Goal to achieve “7%+” PAT
- ✓ Working capital as % of sales “in the teens”



F'11 – F'14

- \$100M+ organic growth each year
- ✓ 12%+ operating earnings by end of F'14



F'15 – F'17

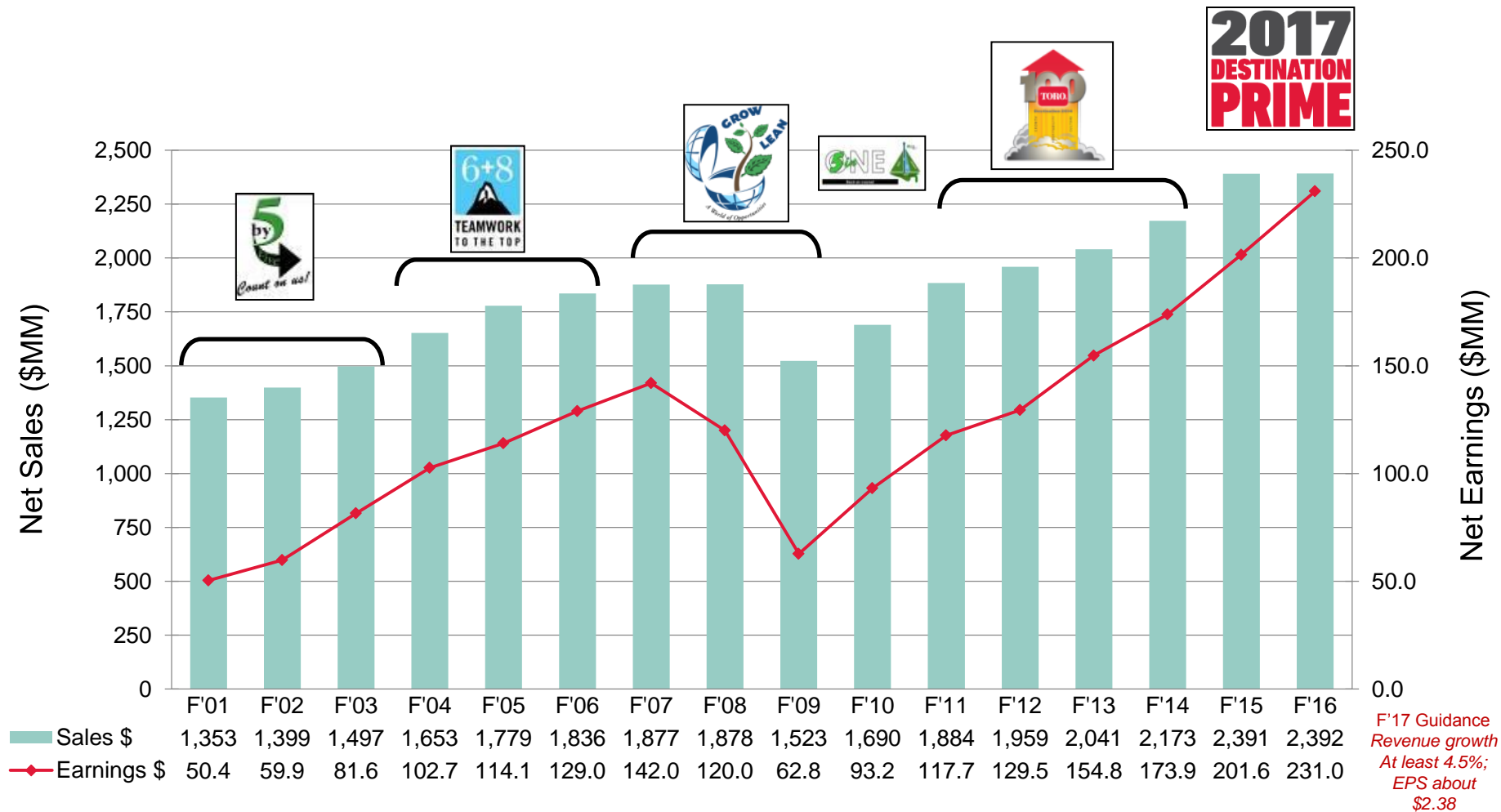
- 5% or more organic growth each year
- 13%+ operating earnings by end of F'17
- Working capital below 13% by end of F'17
- Productivity
- Relationships
- Innovation
- Momentum
- Excellence



F'10

- ✓ Singular Goal – 5% PAT

SALES & PROFIT IMPROVEMENT



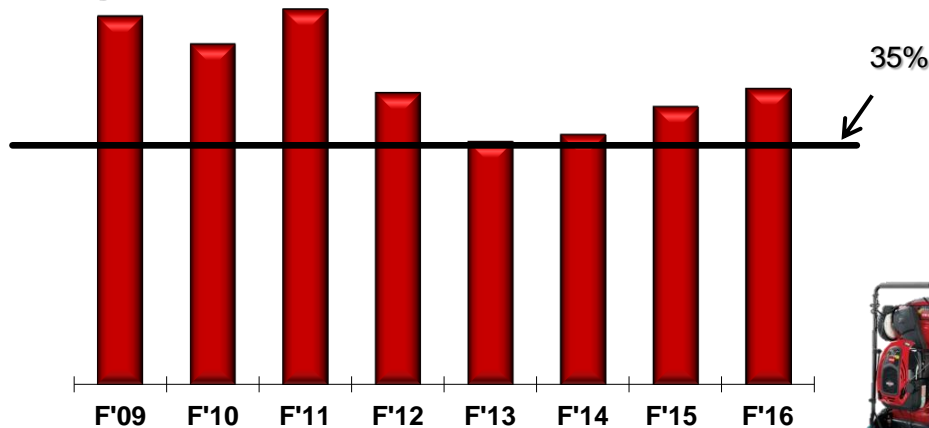
INVESTMENTS IN GROWTH

DRIVING GROWTH IN THE CORE

- Leadership Through Innovation
 - Sustained 3%+ Investment in Research & Engineering
 - Passion to Address Customers Unmet Needs
 - Drive Market Share Gains & Margin Expansion



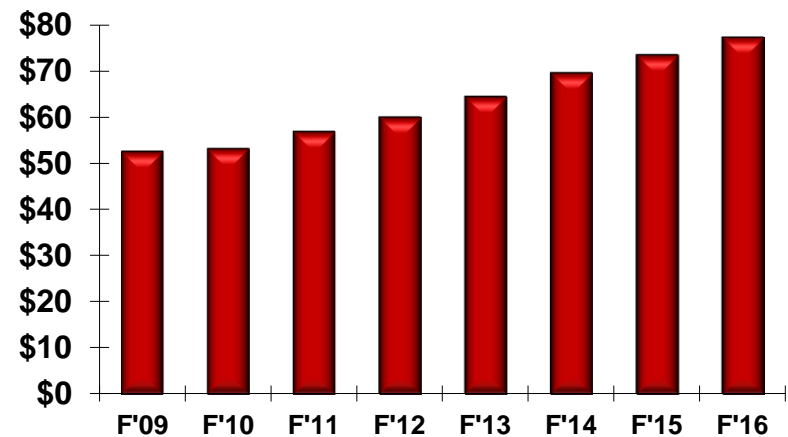
Vitality Index
(Percent of Sales from New Products*)



*Introduced in Current & Previous Two Fiscal Years



R&E Investment
(In Millions)



INVESTMENTS IN GROWTH

DRIVING GROWTH BEYOND THE CORE

- Acquisitions

- Bias for Professional, International & Water Businesses
- Seeking Platforms for Growth—Adjacencies to Core Businesses
- Diligent Process—Right Opportunity & Price

Golf

Graden (F'11), Ty-Crop (F'09), Southern Green (F'08)



Snow & Ice Management

BOSS (F'15)



Underground/Rental

Astec (F'12), Stone (F'12), Lawn Solutions (F'11), US Praxis (F'10)



Irrigation Controls & Sensors

Turf Guard (F'08), Rain Master (F'07), Perrot (F'17)



Landscape Lighting

Unique (F'11)



Micro Irrigation

Xiamen Xiangfeng (F'13)



CASH DEPLOYMENT PHILOSOPHY

- **Cash Conversion to Approximate Net Income**
- **Debt-to-EBITDA Ratio of 1-2x**
- **Continued Investment in the Business**
 - Projects to Drive Organic Growth
 - Strategic Acquisitions
- **Return to Shareholders**
 - Regular Dividends
 - Share Repurchases

CAPITAL DEPLOYMENT

Cash From
Operations



Operating and Growth Needs

- Internal Productive Assets
- Acquisitions & Alliances



Return to Shareholders

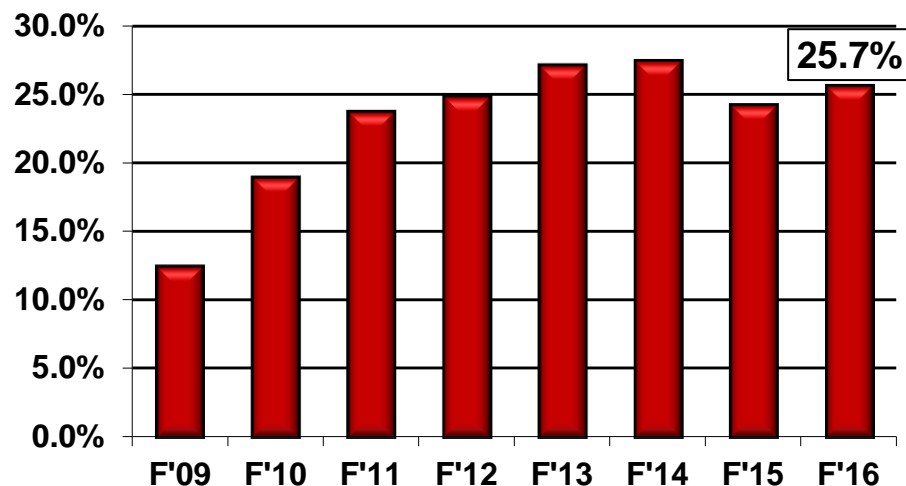
- Regular Dividends (30-40% of 3-Yr Average EPS)
- Share Repurchases

(\$ millions)	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16
Operating Cash Flow	\$252	\$194	\$113	\$186	\$222	\$182	\$237	\$362
Capital Expenditures	\$38	\$49	\$57	\$43	\$49	\$71	\$56	\$51
Strategic Acquisitions	\$6	\$10	\$15	\$10	\$2	\$1	\$229	\$0
Dividends Paid	\$21	\$24	\$25	\$26	\$32	\$45	\$56	\$66
Share Repurchases	\$115	\$136	\$130	\$93	\$100	\$103	\$107	\$112
Total Capital Deployed	\$180	\$219	\$227	\$172	\$183	\$220	\$448	\$229
% of Operating Cash Flow	71%	113%	201%	93%	82%	121%	189%	63%

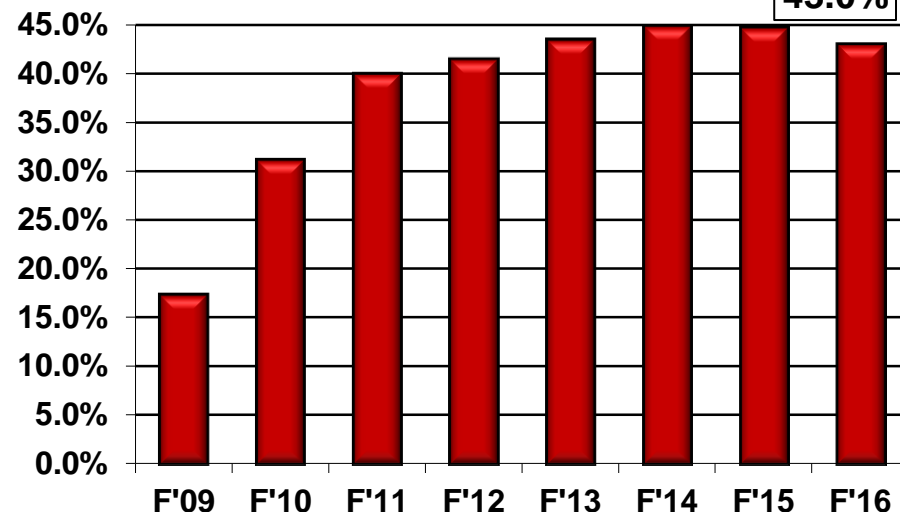
KEY PERFORMANCE MEASURES

DELIVERING STRONG RETURNS

Return on Average Invested Capital (%)*



Return on Average Equity (%)*



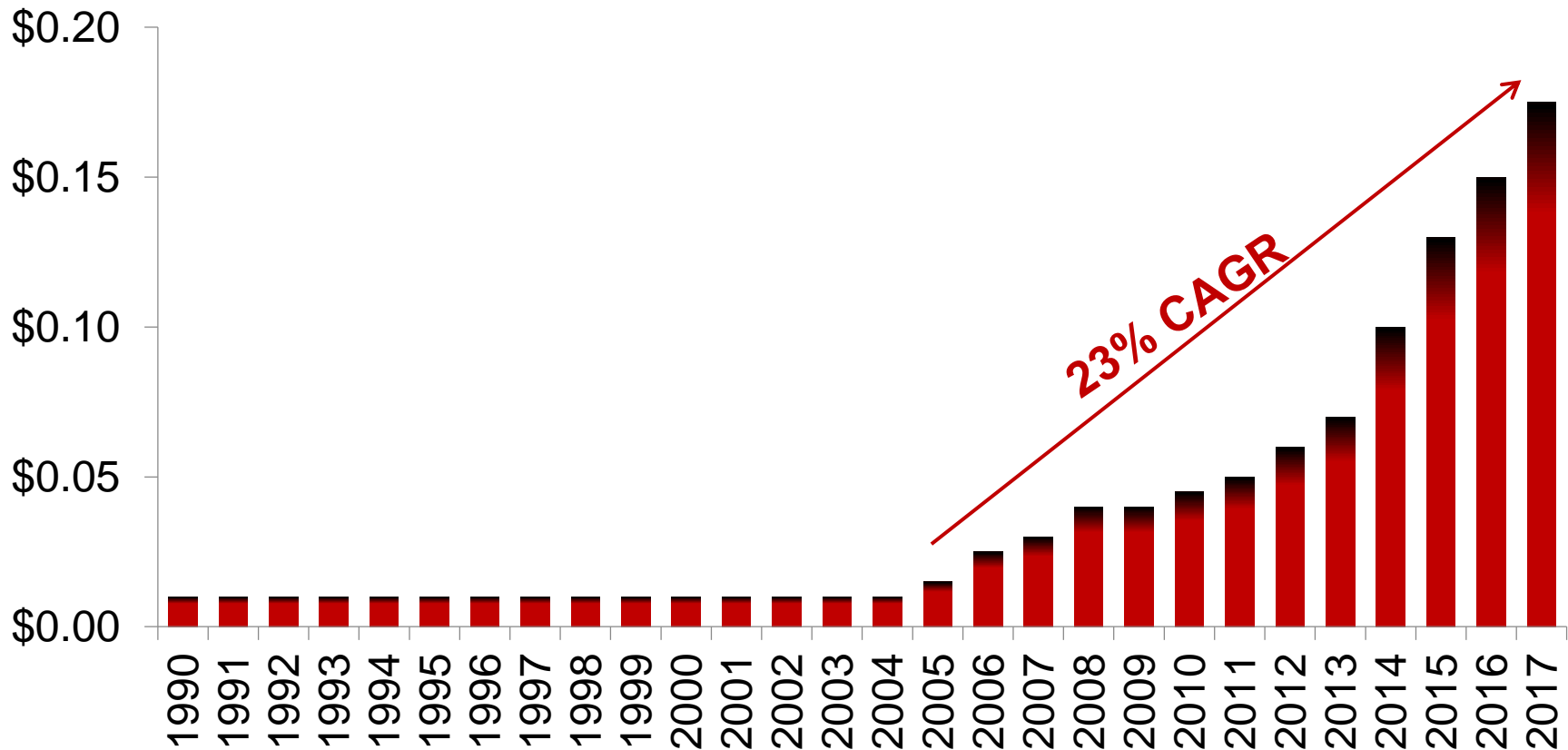
Cash Flow

	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16
Operating Activities Net Cash	\$251.5M	\$193.5M	\$113.9M	\$185.8M	\$221.9M	\$182.4M	\$236.9M	\$361.9M
Cap Ex	(\$37.9M)	(\$48.7M)	(\$57.4M)	(\$43.2M)	(\$49.4M)	(\$71.1M)	(\$56.4M)	(\$50.7M)
Free Cash Flow	\$213.6M	\$144.8M	\$56.5M	\$142.6M	\$172.5M	\$111.3M	\$180.5M	\$311.2M

*Non-GAAP Measures: refer to the Appendix of this presentation for additional information and reconciliation

INCREASING DIVIDENDS

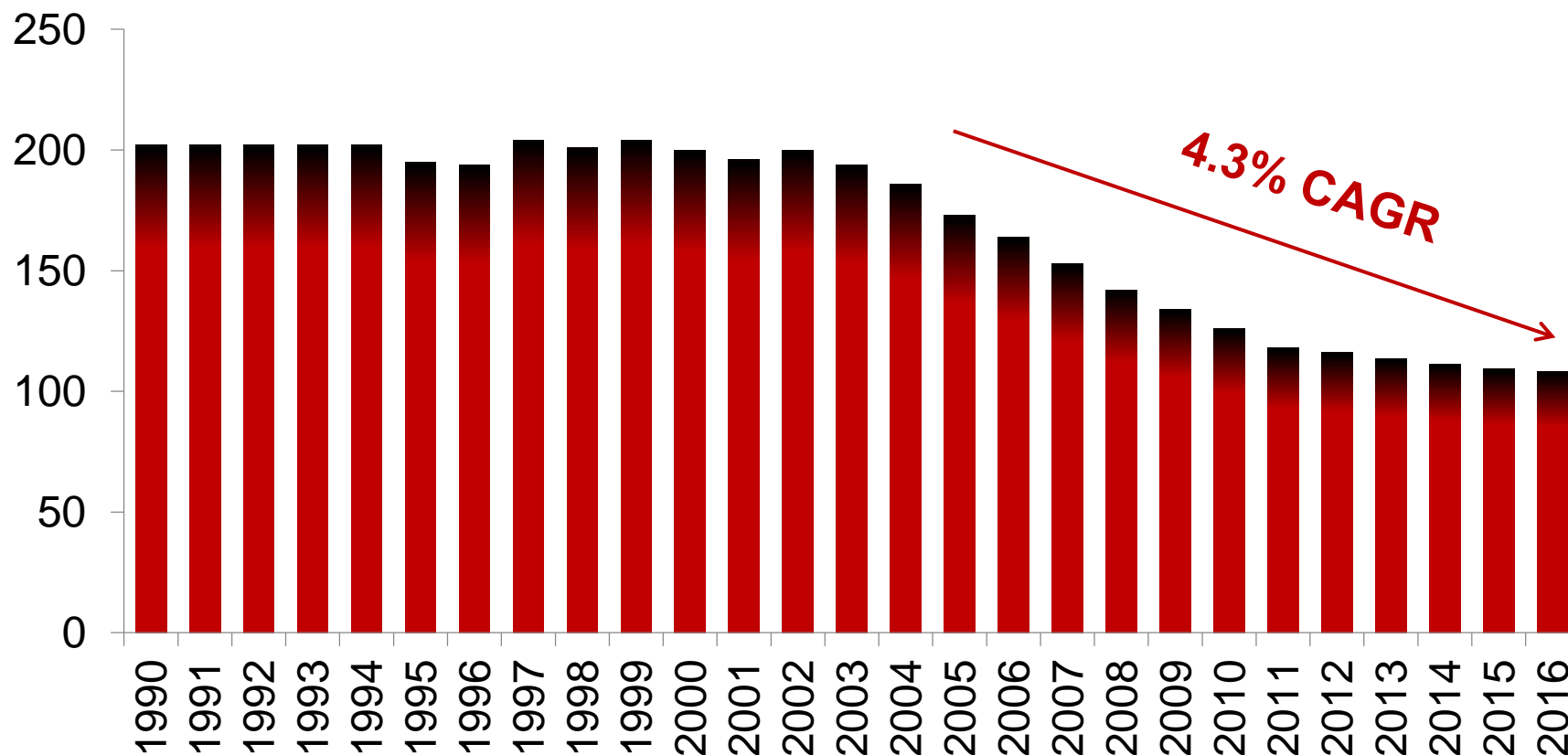
Regular Quarterly
Dividend
(Adjusted for Splits)



Regular Dividend Declaration — May 16, 2017

CONSISTENT SHARE REPURCHASES

Shares Outstanding In Millions
(Adjusted for Splits)

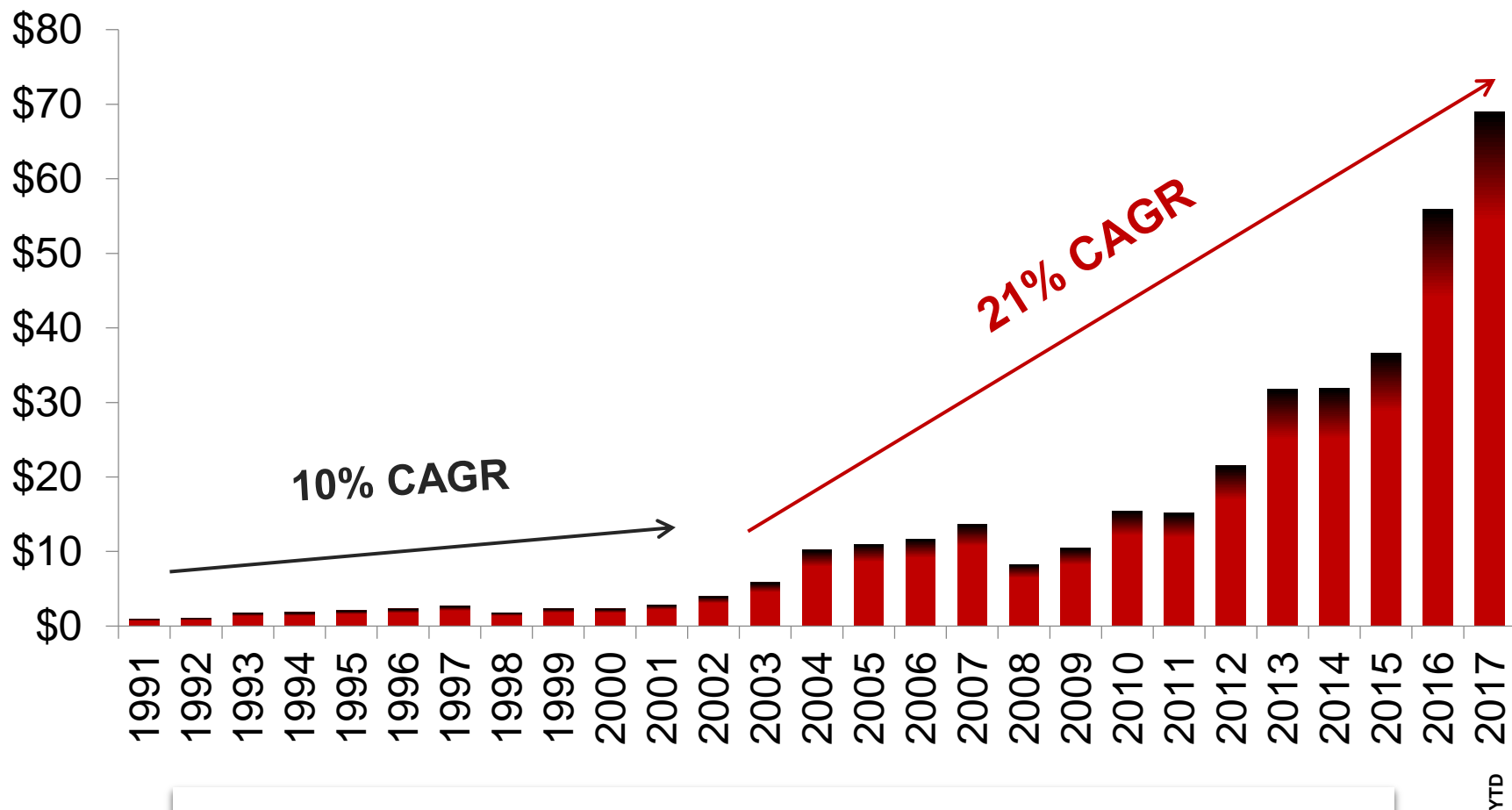


Remaining Authority (8/24/2017) – Approx 6 Million Shares

INCREASING SHAREHOLDER VALUE

STOCK PRICE APPRECIATION

TTC Stock Price
(Adjusted for Splits)



Closing Stock Price — August 23, 2017

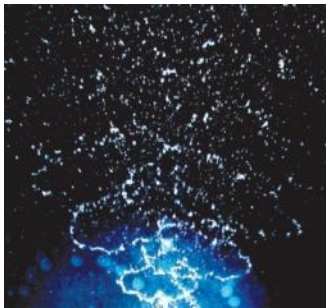
YTD

SUMMARY

- **Building on a Solid Foundation**
 - Beginning Our Second Century of Innovation, Relationships & Excellence
 - Enduring Company Culture & Effective Employee Initiatives
 - Demonstrated Consistent Financial Performance
- **Leveraging a High Value Business Model**
 - Diverse Portfolio with Strong Brands & Market Share
 - Solid Financial Returns & Strong Balance Sheet
 - Consistent Return of Value to Shareholders
- **Driving Growth and Profitability**
 - Top-Line Growth Potential
 - Market Share & Margin Expansion Opportunities
 - Disciplined Process & Financial Capacity for Acquisitions



APPENDIX



NON-GAAP FINANCIAL MEASURES

- This presentation contains certain non-GAAP financial measures.
- Management believes that the presentation of the non-GAAP measures provides useful information to investors and that these measures may assist investors in evaluating our operations.
- This Appendix includes a reconciliation of the non-GAAP financial measures used in the presentation to the most directly comparable GAAP financial measure.
- Non-GAAP financial measures have limitations as analytical tools, and should not be considered in isolation, or as a substitute for, our financial results 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.

NON-GAAP RECONCILIATIONS

Return on Average Invested Capital (%)

(\$ in Millions)	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16
Op Earn * (1-Tax Rate)	\$75.6	\$99.8	\$124.2	\$135.7	\$157.5	\$178.4	\$207.2	\$233.7
Avg. Quarterly Capital Utilized	\$606.0	\$526.6	\$522.0	\$544.1	\$579.5	\$649.1	\$852.7	\$910.1
ROIC	12.5%	19.0%	23.8%	24.9%	27.2%	27.5%	24.3%	25.7%

$$\frac{\text{Operating Earnings* (1-Tax Rate)}}{\text{Avg. Quarterly Capital Utilized}} = \text{ROIC}$$

Return on Average Equity (%)

(\$ in Millions)	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16
Net Income	\$62.8	\$93.2	\$117.7	\$129.5	\$154.8	\$173.9	\$201.6	\$231.0
Avg. Quarterly Equity	\$361.3	\$298.6	\$294.4	\$312.4	\$355.8	\$387.1	\$451.0	\$537.6
ROAE	17.4%	31.2%	40.0%	41.5%	43.5%	44.9%	44.7%	43.0%

$$\frac{\text{Net Income}}{\text{Avg. Quarterly Equity}} = \text{ROAE}$$

F'17 3Q & YTD RESULTS

(RELEASED AUGUST 24, 2017)

	<u>F'17 3Q</u>	<u>▲ from F'16 3Q</u>	<u>F'17 YTD</u>	<u>▲ from F'16 YTD</u>
Revenues	\$627.9M	4.5%	\$2.017B	4.8%
Gross Margin (% of Revenues)	36.1%	10 bps	36.5%	0 bps
SG&A (% of Revenues)	22.1%	(30) bps	21.2%	(20) bps
Operating Earnings (\$)	\$87.8M	7.1%	\$307.7M	5.8%
Operating Earnings (% of Revenues)	14.0%	40 bps	15.3%	20 bps
EPS	\$0.61	22.0%	\$2.10	17.3%

F'17 3Q Record Results

GUIDANCE

(AS OF AUGUST 24, 2017)

F'17 FY

EPS:	About \$2.38	
Revenues:	At least 4.5%	
Gross Margin: (% of Revenues)	Similar to F'16	
SG&A: (% of Revenues)	Slight improvement over F'16	
Effective Tax Rate:	About 25.0%	
Effective Tax Rate: (Excluding impact of ASU 2016-09)	About 30.5%	<i>(Excludes an estimated \$19.3 million discrete tax benefit resulting from adoption of ASU 2016-09)</i>
CapEx:	About \$60M	
Depreciation & Amortization:	About \$65M	
Interest Expense:	Similar to F'16	
Share Repurchases:	Expect to spend at least as much as F'16	
Free Cash Flow:	About \$240M	

EARNINGS HISTORY

F'07—F'16

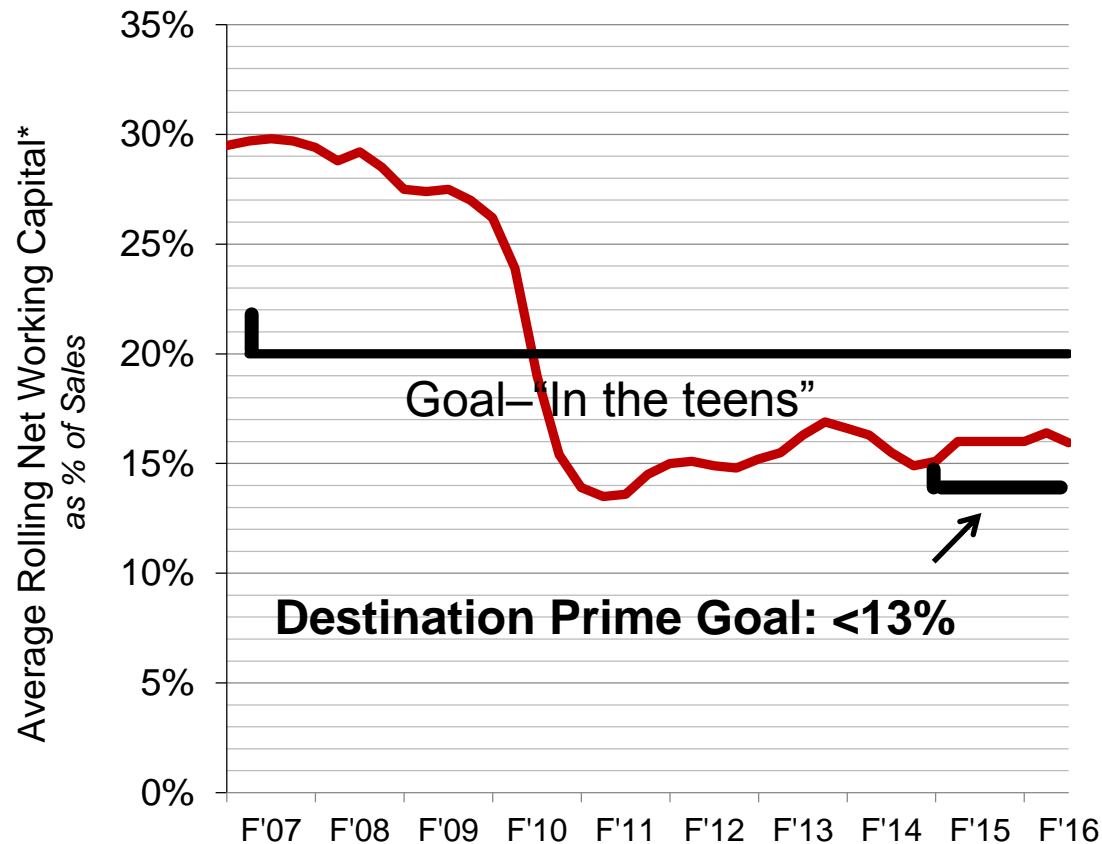
(\$ millions except EPS)		F'07	F'08*	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16
Net Sales		\$1,877.0	\$1,878.0	\$1,523.4	\$1,690.4	\$1,884.0	\$1,958.7	\$2,041.4	\$2,172.7	\$2,390.9	\$2,392.2
Percent Growth		5.5%	0.1%	-18.9%	11.0%	11.5%	4.0%	4.2%	6.4%	10.0%	0.1%
Gross Profit		\$678.4	\$652.7	\$511.0	\$576.4	\$636.6	\$673.1	\$724.8	\$773.3	\$835.90	\$874.60
% of Sales		36.1%	34.8%	33.5%	34.1%	33.8%	34.4%	35.5%	35.6%	35.0%	36.6%
SG&A		\$454.7	\$454.3	\$395.8	\$425.1	\$452.2	\$467.5	\$494.1	\$510.1	\$536.8	\$540.2
% of Sales		24.2%	24.2%	26.0%	25.1%	24.0%	23.9%	24.2%	23.5%	22.5%	22.6%
Operating Earnings		\$223.7	\$198.4	\$115.2	\$151.3	\$184.5	\$205.6	\$230.7	\$263.2	\$299.1	\$334.4
% of Sales		11.9%	10.6%	7.6%	9.0%	9.8%	10.5%	11.3%	12.1%	12.5%	14.0%
Other (Inc)/Exp		-\$9.0	-\$2.2	\$1.8	\$7.1	\$7.3	\$7.6	\$12.3	\$8.7	\$10.7	\$15.4
Interest Expense		\$19.4	\$19.3	-\$17.6	-\$17.1	-\$17.0	-\$16.9	-\$16.2	-\$15.4	-\$18.8	-\$19.3
Pretax Earnings		\$213.2	\$181.3	\$95.8	\$141.3	\$174.8	\$196.3	\$226.7	\$256.4	\$291.0	\$330.5
% of Sales		11.4%	9.7%	6.3%	8.4%	9.3%	10.0%	11.1%	11.8%	12.2%	13.8%
Net Earnings		\$142.4	\$119.7	\$62.8	\$93.2	\$117.7	\$129.5	\$154.8	\$173.9	\$201.6	\$231.0
% of Sales		7.6%	6.4%	4.1%	5.5%	6.2%	6.6%	7.6%	8.0%	8.4%	9.7%
% Growth		24.8%	-15.9%	-47.5%	48.4%	26.3%	10.0%	19.5%	12.3%	15.9%	14.6%
EPS		\$0.85	\$0.78	\$0.44	\$0.70	\$0.93	\$1.07	\$1.31	\$1.51	\$1.78	\$2.06
% Growth		-30.6%	-8.8%	-43.9%	60.9%	32.1%	15.7%	22.4%	15.3%	17.5%	15.7%

FYE BALANCE SHEET

F'08—F'16

(\$ millions)	F'08	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16
Cash	\$ 99.4	\$ 187.8	\$ 177.4	\$ 80.9	\$ 125.9	\$ 183.0	\$ 314.9	\$ 126.3	\$ 273.6
Accts Receivable	\$ 256.3	\$ 143.7	\$ 142.9	\$ 148.1	\$ 147.4	\$ 157.2	\$ 158.2	\$ 177.0	\$ 163.3
Inventory	\$ 207.1	\$ 176.3	\$ 194.4	\$ 223.0	\$ 251.1	\$ 240.1	\$ 274.6	\$ 334.5	\$ 307.0
Current Assets	\$ 643.9	\$ 582.2	\$ 585.0	\$ 532.9	\$ 612.1	\$ 653.3	\$ 824.0	\$ 710.7	\$ 779.0
Total Assets	\$ 932.3	\$ 872.7	\$ 885.6	\$ 870.7	\$ 935.2	\$1,002.7	\$1,192.4	\$1,303.7	\$1,387.5
Short-Term Debt	\$ 2.3	\$ 4.5	\$ 1.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 20.8	\$ 0.2	\$ 0.0
Total Curr Liabilities	\$ 324.5	\$ 316.8	\$ 368.3	\$ 359.1	\$ 378.1	\$ 388.8	\$ 400.4	\$ 443.7	\$ 463.8
Long-Term Debt	\$ 227.5	\$ 228.8	\$ 225.5	\$ 227.2	\$ 225.3	\$ 223.5	\$ 347.3	\$ 354.8	\$ 331.4
Equity	\$ 364.7	\$ 315.2	\$ 275.8	\$ 266.8	\$ 312.4	\$ 358.7	\$ 408.7	\$ 462.2	\$ 550.0
Total Debt/Capital	39.0%	42.5%	45.1%	46.0%	41.9%	38.4%	47.4%	43.4%	37.6%
Average Debt	\$ 290.2	\$ 243.2	\$ 228.6	\$ 227.3	\$ 231.5	\$ 223.8	\$ 244.1	\$ 399.6	\$ 373.0

WORKING CAPITAL IMPROVEMENT



Highlights

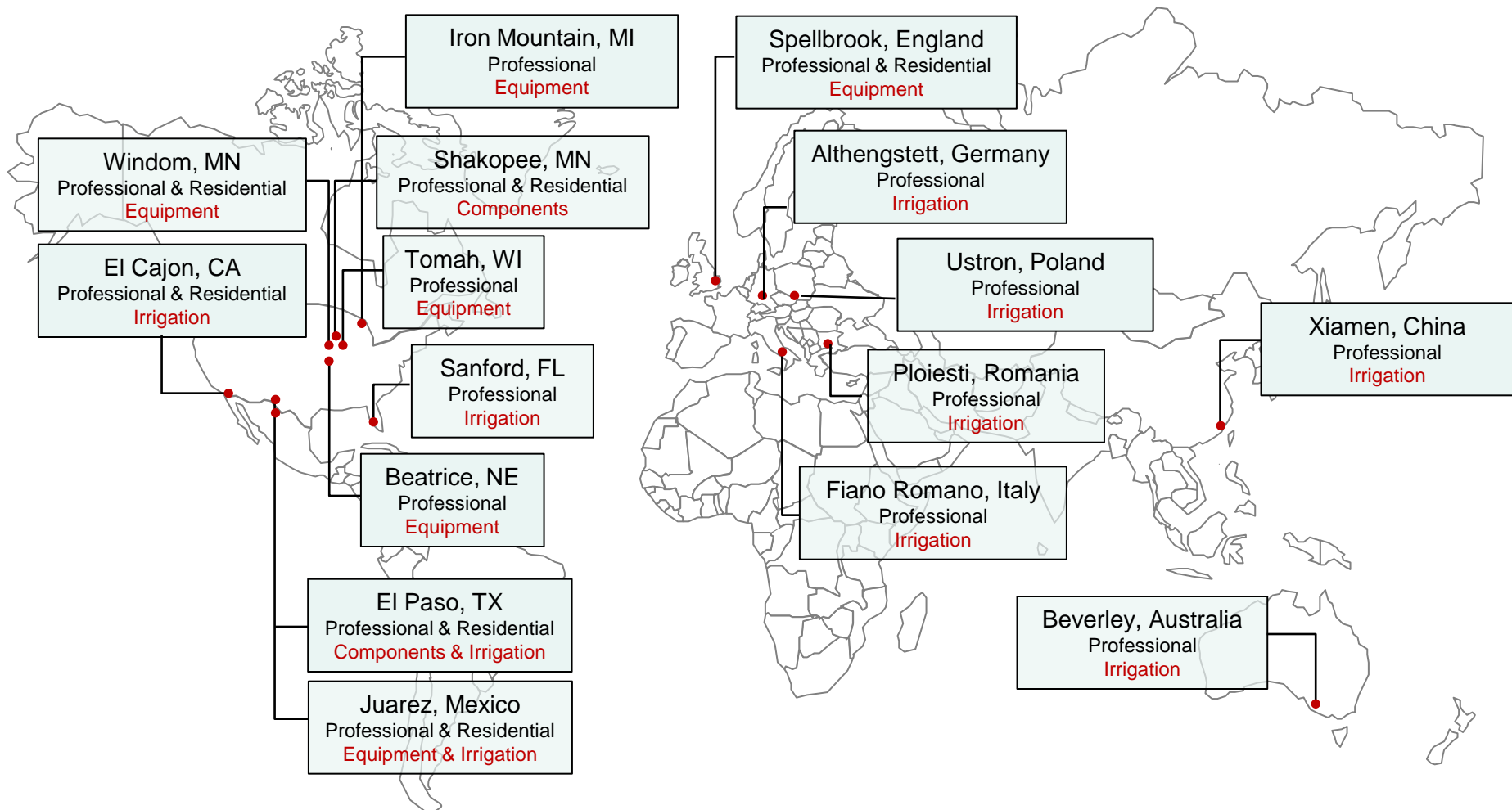
- Achieved long-term working capital goal at end of F'10
- More than \$300M of average working capital freed up for other uses
 - A/R down over 50%
 - Inventory down over 30%
 - Payables up over 30%
- Renewed focus on working capital with Destination **PRIME** to <13%

**Non-GAAP Measure:*

Average net working capital as % of net sales for trailing 12 months

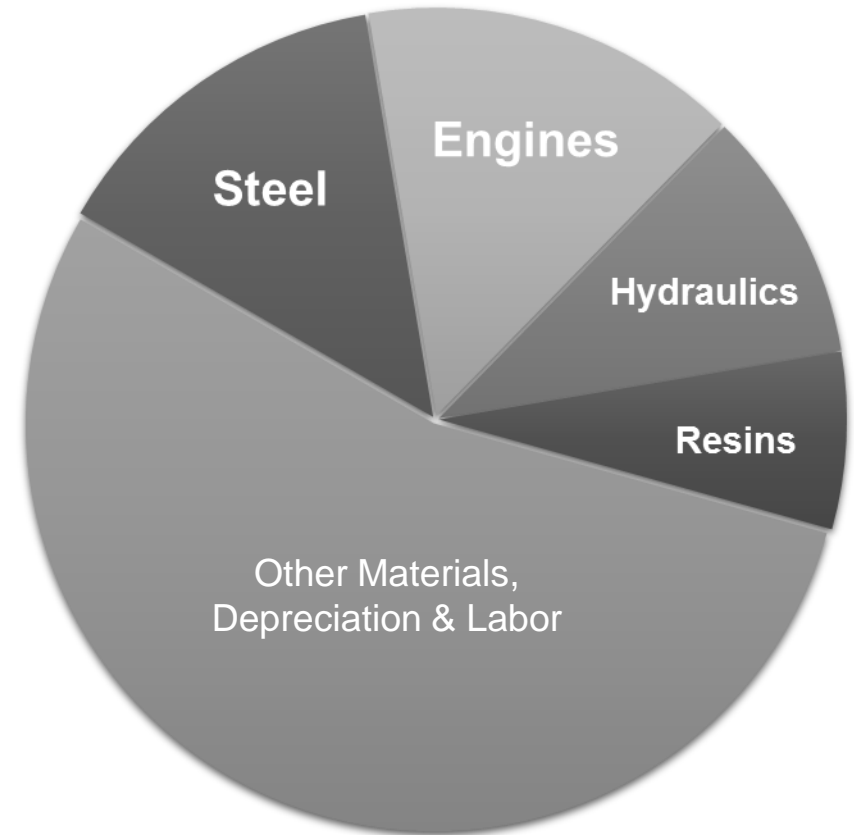
Net Working Capital = Accounts Receivable+ Net Inventory – Trade Payables

MANUFACTURING FACILITIES



MATERIAL COSTS

Major Components of Cost of Goods Sold



PRIDE IN EXCELLENCE

People Values

- Respect & Trust
- Teamwork/
Partnership
- Empowerment
- Coaching
- Recognition
- Communication



Performance Values

- “Do What We Say We Will Do”
- Building Growth & Profitability
- Be Customer Driven With Urgency
- Embrace Risk & Opportunity
- Create & Leverage Innovation
- Continuously Improve

Environmental & Giving

Environmental Principles

- Committed to protecting the environment & improving resource management
- Help customers address environment challenges
- Endeavor to adopt sustainable practices & eliminate waste in our global operations
- Part of our design & business strategy, we go beyond just compliance

Investment in Communities

- Endeavor to give 2% of domestic pretax income to support our communities and industries
- Provide people, products and financial resources to build healthy communities
- Focus on enriching outdoor environments and encouraging efficient use of water



TORO

Competitor

Differences that matter to growers...

↑ Yield

↓ Water

↓ Energy

↓ Product Failure

↓ Disease

↓ Fertilizer