

# THE TORO COMPANY

## Investor Presentation

March 2021



# SAFE HARBOR

- 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.
- 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, can be found in our related financial filings in the section titled "Non-GAAP Financial Measures".

## 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.

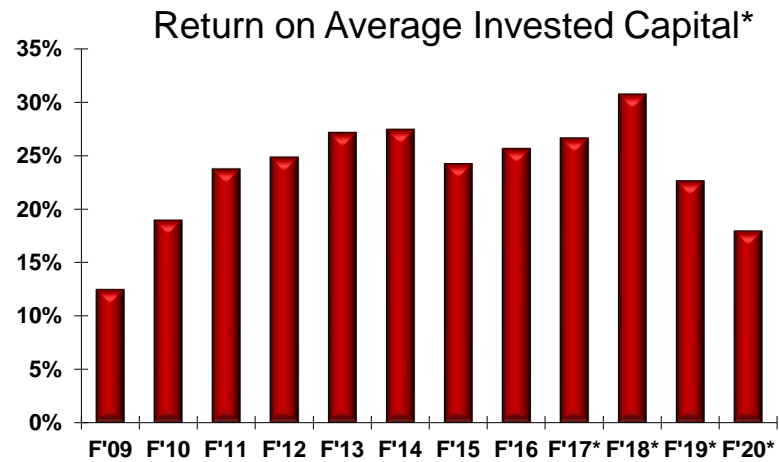
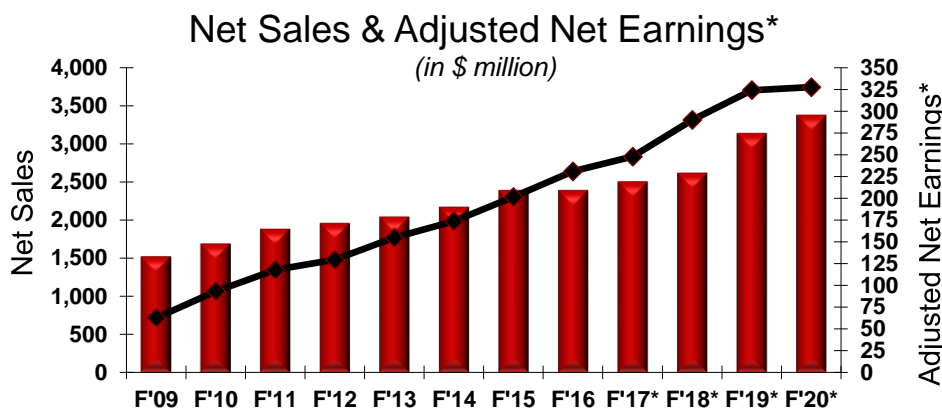
# Caring Relationships

# INVESTMENT SUMMARY

(NYSE: TTC)

## Summary & Financial Performance

- 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
- Strong Financial Performance

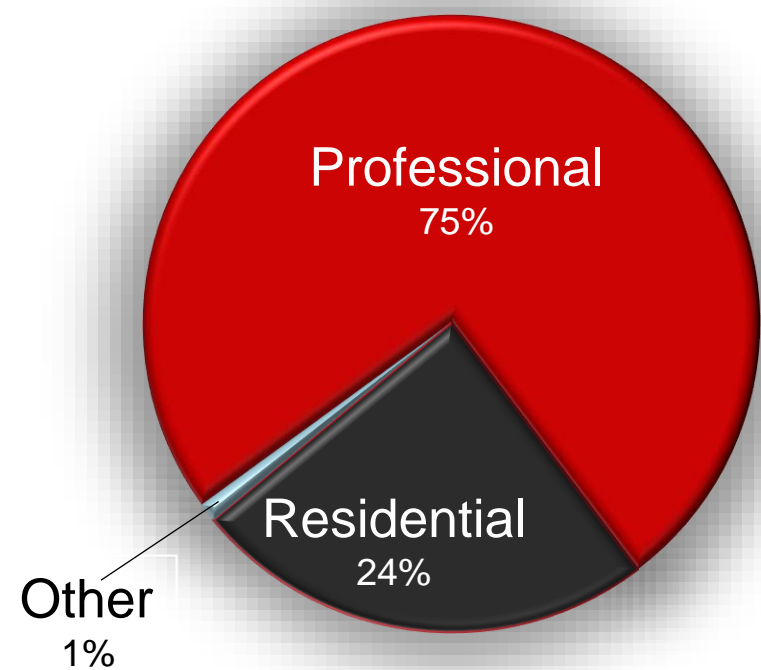


\*Non-GAAP Measure: refer to the Appendix of this presentation for additional information and reconciliation

# DIVERSE PORTFOLIO

F'20 REVENUES—\$3.4 BILLION

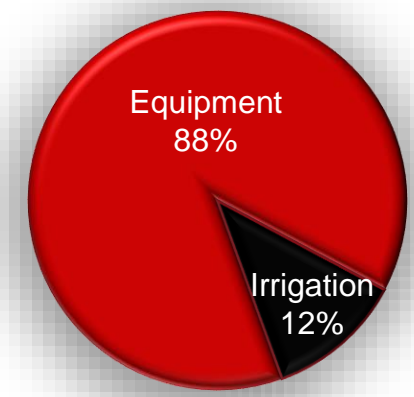
## Segments



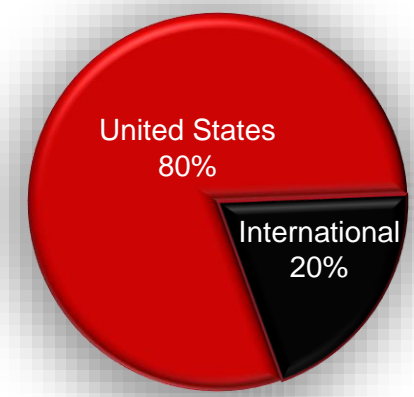
**Professional**  
F'20 Sales: \$2,523 million  
F'20 Segment Earnings: 16.9%

**Residential**  
F'20 Sales: \$821 million  
F'20 Segment Earnings: 13.8%

## Product Type



## Geographic Market

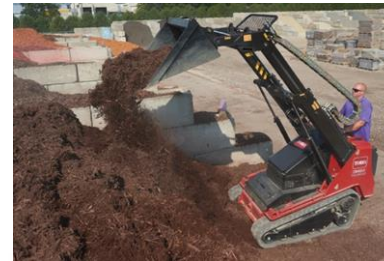




# PROFESSIONAL SEGMENT

## Rental, Specialty & Underground Construction

- Strong brands and product portfolio
- Global network of dealers and rental partners
- Long-standing customer relationships
- Growth opportunities
  - Telecom (fiber optics, 5G)
  - Utilities (gas, electricity)
  - Infrastructure (water, wastewater)
  - Rental (independent dealers, national accounts)



TORO

Ditch Witch

AMERICAN AUGERS

SUBSITE ELECTRONICS

radius TOOLS FOR HIG PROFESSIONALS

MANAGEMENT

TRENCOR



# PROFESSIONAL SEGMENT

## Landscape and Grounds Market

Turf Equipment

Snow & Ice Management

Lighting & Irrigation

- Serving Contractor Needs Year-Round
- Heavy Use Drives Replacement & Parts
- TTC Advantage
  - Leverage Brand & Product Leadership
  - Product Innovation, Durability & Quality



# PROFESSIONAL SEGMENT

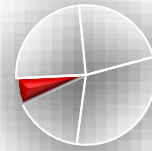
## Golf Market



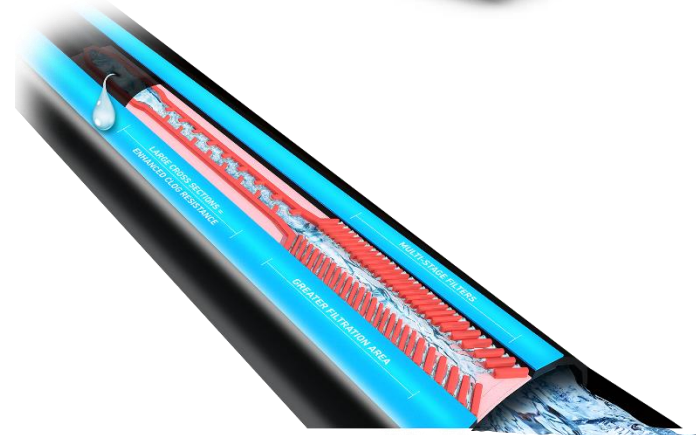
- Turf Equipment & Irrigation Systems
- TTC Advantage
  - Innovation & Performance—Share Gain & Margin Expansion
  - Strong Network of Distributors, Relationships & Customer Care



## Micro-Irrigation Market



- 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



	Flood	Center Pivot	Micro
<b>Acreage</b>	50%	40%	10%
<b>Efficiency</b>	40%	70%	90%+



# RESIDENTIAL SEGMENT

## For the Homeowner

Lawn

Garden

Snow  
Equipment



- Walk-Behind & ZTR Mowers, Snow Throwers, Handheld Maintenance Products
- TTC Advantage
  - Powerful Brands
  - Leadership in Product Innovation, Quality & Durability
  - Strong Home Center Relationship
  - Strong Servicing Dealer Network



**TSC** **TRACTOR  
SUPPLY CO**

# BENEFITS OF COMPLEMENTARY BUSINESSES



Innovation  
Transference

**Professional**



Production  
Optimization

**Residential**

Bolsters Brand  
Recognition



# FIRST-QUARTER FISCAL 2021 RESULTS

(RELEASED MARCH 4, 2021)

	AS REPORTED		AS ADJUSTED*	
	F'21 Q1	Change from F'20 Q1	F'21 Q1	Change from F'20 Q1
<b>Net Sales</b>	\$873.0M	+13.7%		
<b>Gross Profit</b> (\$)	\$315.0M	+9.4%	\$315.0M	+9.2%
<b>Gross Margin</b> (% of Revenues)	36.1%	-140 bps	36.1%	-150 bps
<b>Operating Earnings</b> (\$)	\$141.5M	+55.2%	\$124.4M	+33.5%
<b>Operating Earnings</b> (% of Revenues)	16.2%	+430 bps	14.2%	+210 bps
<b>Earnings Before Income Taxes</b>	\$135.8M	+57.7%	\$118.8M	+34.7%
<b>Net Earnings</b>	\$111.3M	+58.8%	\$93.2M	+33.8%
<b>Diluted EPS</b>	\$1.02	+56.9%	\$0.85	+32.8%

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

# 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'10

- ✓ Singular Goal – 5% PAT



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



F'18 – F'19

- 5% or more organic growth each year
- 15.5% or more operating earnings by end of F'20

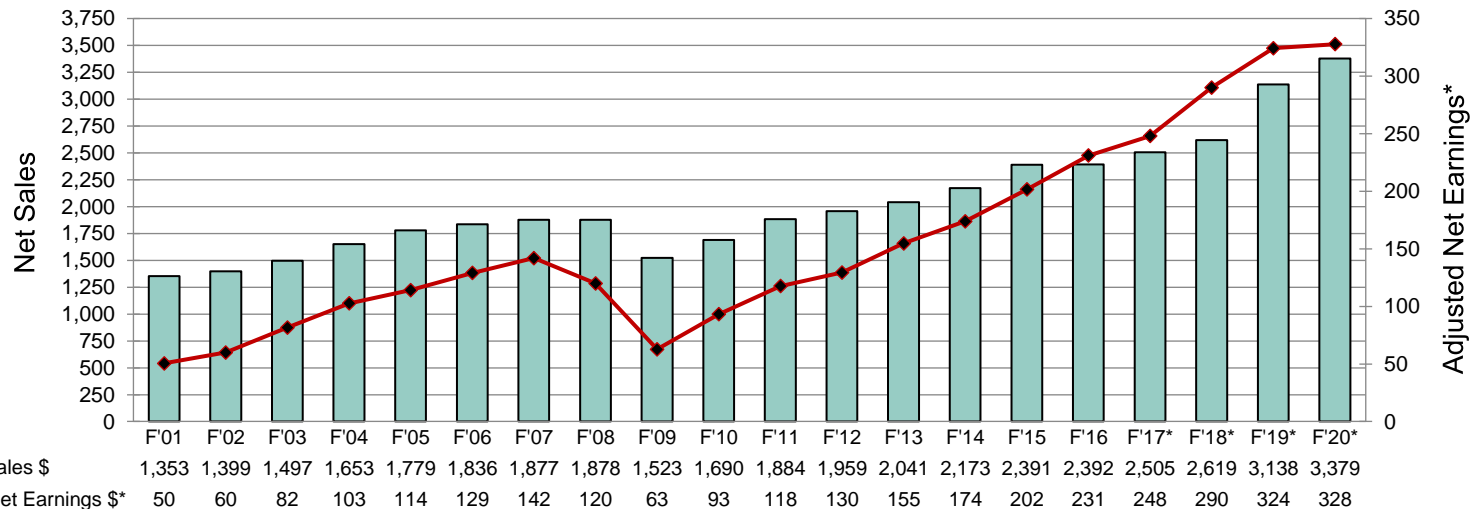


F'21

- \$3.7B net sales
- \$485M adjusted operating earnings\*

F'20

- Singular Goal – \$485M adjusted operating earnings\*



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

# SUSTAINABILITY AT TTC

Deeply rooted in our purpose and strategic business priorities; continue to advance efforts by focusing on our Products, Processes, and People

**PRODUCTS:** Persistent drive to develop innovative, safe and high-quality products and emerging technologies that are designed to yield performance, productivity and environmental benefits for our customers

**PROCESSES:** Maximize resource efficiency and reduce our environmental impacts across our operations

**PEOPLE:** Committed to fostering a culture that embraces workplace safety and diversity, equity and inclusion; continuing our strong legacy of giving back to our communities; and conducting business with integrity and according to the highest standards of ethical behavior



"THERE IS MUCH WE HAVE DONE,  
AND THERE IS MORE WE CAN,  
AND WILL, DO."

- Richard M. Olson

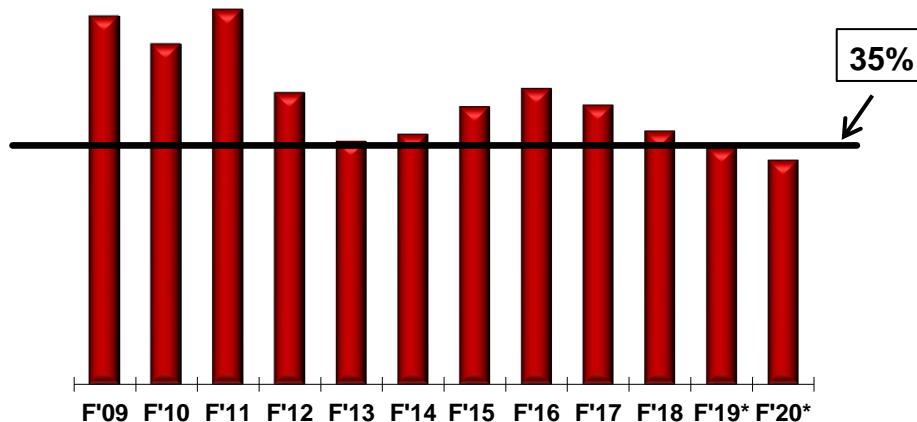
# INVESTMENTS IN GROWTH

- Leadership Through Innovation
  - Sustained 3%+ Investment in Research & Engineering
  - Passion to Address Customers Unmet Needs
  - Drive Market Share Gains & Margin Expansion
- Acquisitions
  - Bias for Professional, Global, Water & Technology
  - Seeking Platforms for Growth – Adjacencies to Core Businesses
  - Diligent Process – Right Opportunity & Price



Vitality Index

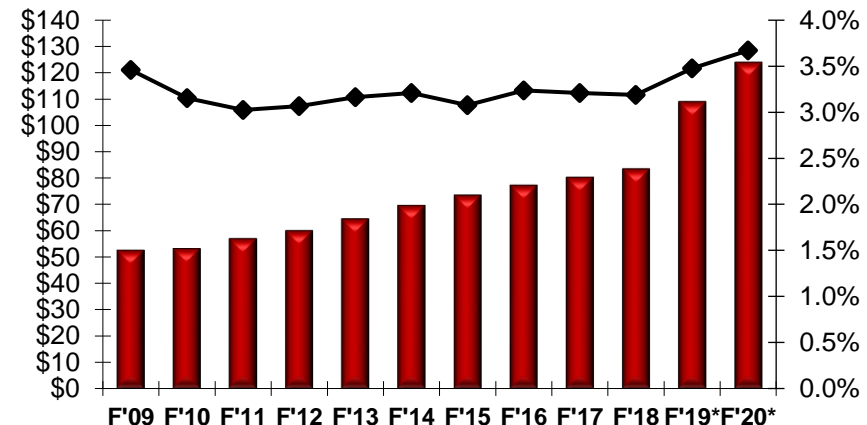
(Percent of Sales from New Products\*\*)



\*Includes Charles Machine Works for F'19+ and Venture Products for F'20  
 \*\*Introduced Over the Prior Three Years

R&E Investment and % of Net Sales

(\$ in Millions)



\*Includes Charles Machine Works for F'19+ and Venture Products for F'20

# CAPITAL DEPLOYMENT

Cash From Operations



▣ Free Cash Flow Conversion to Approximate Net Earnings Over Time

## Operating and Growth Needs

- Internal Productive Assets
- Acquisitions & Alliances



▣ Target Debt-to-EBITDA Ratio of 1-2x

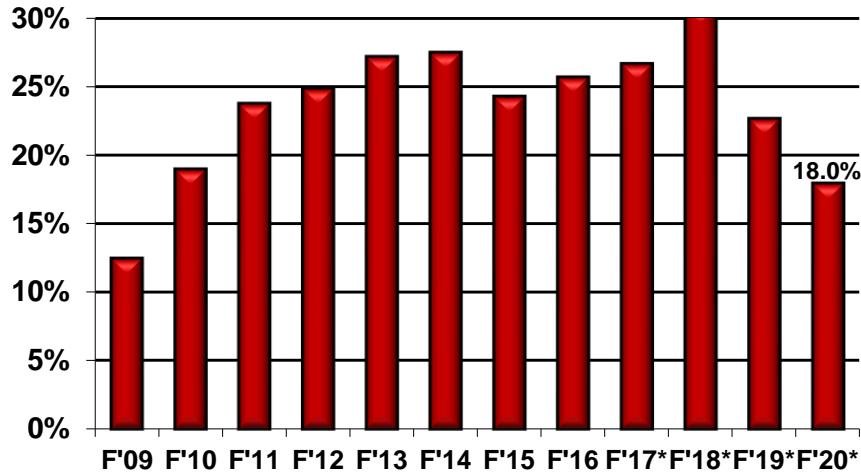
## Return to Shareholders / Debt Repayment

- Regular Dividends (30-40% of 3-Yr Average Reported EPS)
- Debt Repayment / Share Repurchases

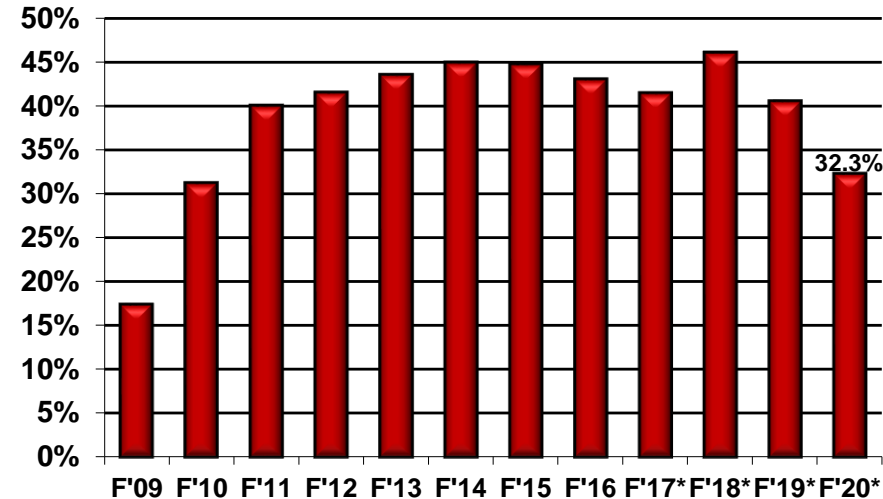
(\$ millions)	F'11	F'12	F'13	F'14	F'15	F'16	F'17	F'18	F'19	F'20
<b>Operating Cash Flow</b>	<b>\$120</b>	<b>\$200</b>	<b>\$234</b>	<b>\$197</b>	<b>\$250</b>	<b>\$384</b>	<b>\$361</b>	<b>\$365</b>	<b>\$337</b>	<b>\$539</b>
Capital Expenditures	\$57	\$43	\$49	\$71	\$56	\$51	\$58	\$90	\$93	\$78
Strategic Acquisitions <i>(net of cash)</i>	\$15	\$10	\$2	\$1	\$198	\$0	\$24	\$31	\$697	\$138
Dividends Paid	\$25	\$26	\$32	\$45	\$56	\$66	\$76	\$85	\$96	\$108
Share Repurchases	\$130	\$93	\$99	\$102	\$106	\$110	\$159	\$160	\$20	\$0
<b>Total Capital Deployed</b>	<b>\$227</b>	<b>\$172</b>	<b>\$182</b>	<b>\$219</b>	<b>\$416</b>	<b>\$227</b>	<b>\$317</b>	<b>\$366</b>	<b>\$906</b>	<b>\$324</b>
<i>% of Operating Cash Flow</i>	<i>190%</i>	<i>86%</i>	<i>78%</i>	<i>111%</i>	<i>167%</i>	<i>59%</i>	<i>88%</i>	<i>100%</i>	<i>269%</i>	<i>60%</i>

# KEY PERFORMANCE MEASURES

Return on Average Invested Capital (%)\*



Return on Average Equity (%)\*



## Cash Flow (\$ in millions)

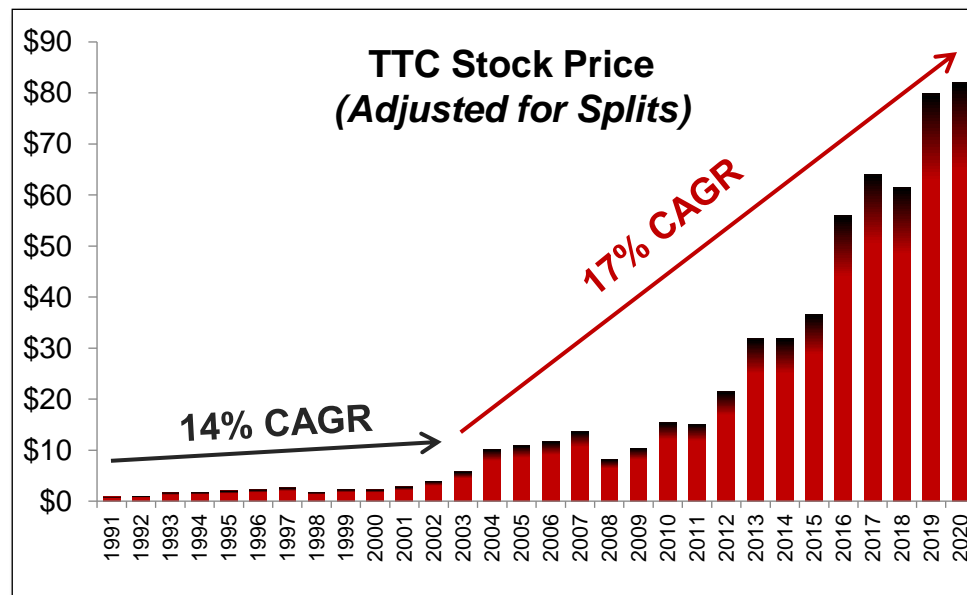
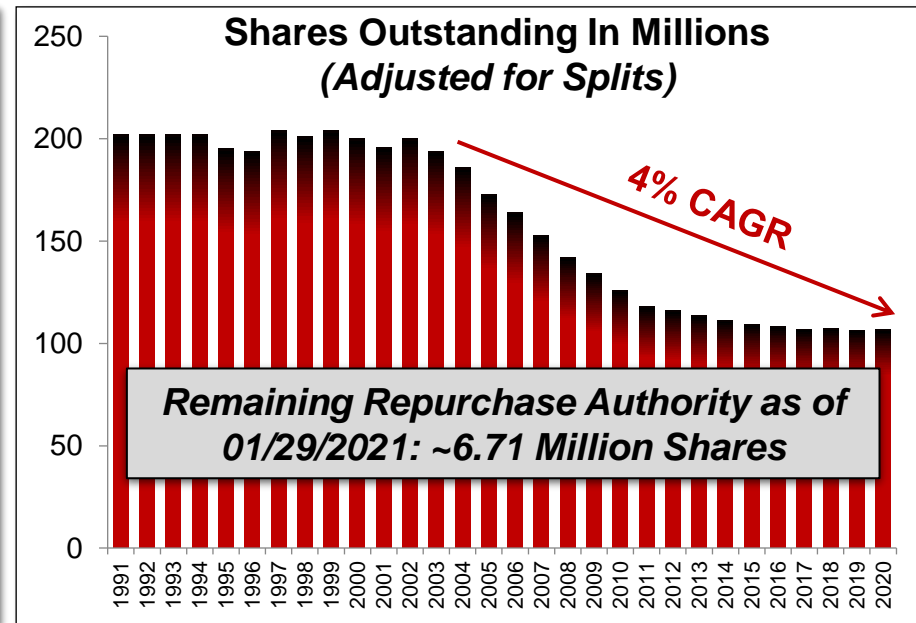
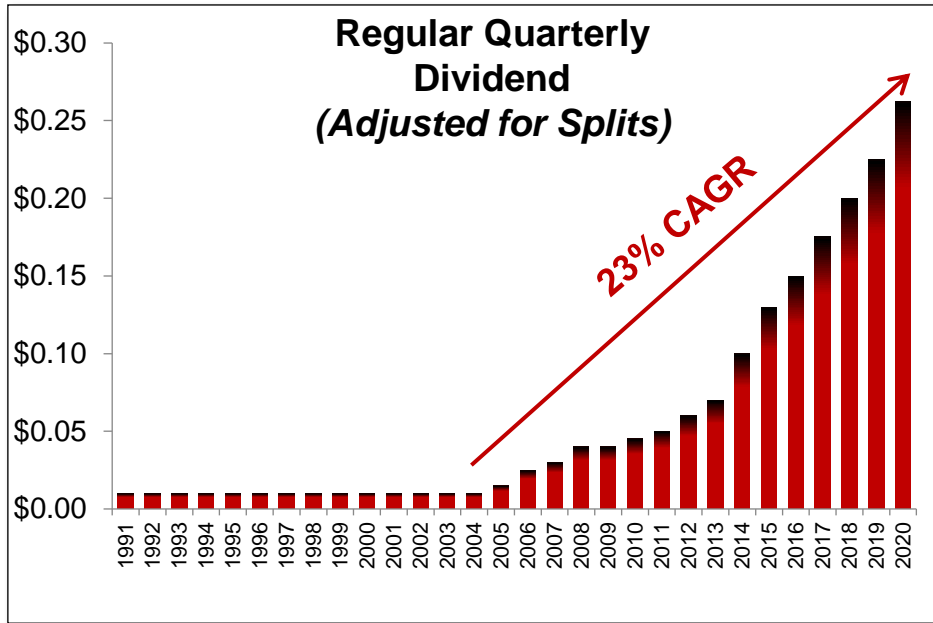
	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16	F'17	F'18	F'19	F'20
Operating Cash Flow	\$251.5	\$193.2	\$119.9	\$199.9	\$234.4	\$196.9	\$249.6	\$384.3	\$360.7	\$364.8	\$337.4	\$539.4
Capital Expenditures	(\$37.9)	(\$48.7)	(\$57.4)	(\$43.2)	(\$49.4)	(\$71.1)	(\$56.4)	(\$50.7)	(\$58.3)	(\$90.1)	(\$92.9)	(\$78.1)
<b>Free Cash Flow (FCF)*</b>	<b>\$213.6</b>	<b>\$144.5</b>	<b>\$62.5</b>	<b>\$156.7</b>	<b>\$184.9</b>	<b>\$125.8</b>	<b>\$193.2</b>	<b>\$333.6</b>	<b>\$302.5</b>	<b>\$274.7</b>	<b>\$244.5</b>	<b>\$461.3</b>
FCF Conversion**	340%	155%	53%	121%	119%	72%	96%	144%	113%	101%	89%	140%

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

\*\*FCF Conversion Percentage = Free Cash Flow/GAAP Net Earnings



# INCREASING SHAREHOLDER VALUE



# SUMMARY

## GAINING MOMENTUM

### Building on a Solid Foundation

- Continuing the Foundation of Innovation, Relationships & Excellence
- Enduring Company Culture & Effective Employee Initiatives
- Demonstrated Consistent Financial Performance



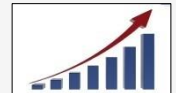
### Leveraging a High Value Business Model

- Diverse Portfolio with Strong Brands & Market Share
- Solid Financial Returns & Strong Balance Sheet
- Consistent Return of Value to Shareholders



### Driving Growth and Profitability

- Mid-Single Digit Organic Growth Annually
- Market Share & Margin Expansion Opportunities
- Disciplined Process & Financial Capacity for Acquisitions



# ***FISCAL 2021 GUIDANCE***

## ***(AS OF MARCH 4, 2021)***

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<b>Net Sales Growth, %</b>	6.0% to 8.0%
<b>Adjusted Operating Earnings Margin, %</b>	Moderate improvement compared with fiscal 2020 adjusted operating earnings margin
<b>Adjusted Diluted EPS*, \$</b>	\$3.35 to \$3.45
<b>Capital Expenditures, \$</b>	About \$115 million
<b>Depreciation &amp; Amortization, \$</b>	About \$95 million
<b>Free Cash Flow Conversion*, %</b>	90% to 100%

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*\*Non-GAAP Measure*



**APPENDIX****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 consists 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, and free cash flow and free cash flow conversion.
- 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 core operations.
- 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 due to requiring 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.

# 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	F'17*	F'18*	F'19*	F'20*
<b>Adj. Op. Earnings* (1-Adj. Tax Rate)</b>	\$75.6	\$99.8	\$124.2	\$135.7	\$157.5	\$178.4	\$207.2	\$233.7	\$249.3	\$290.6	\$325.8	\$343.3
<b>Avg. Quarterly Capital Utilized</b>	\$606.0	\$526.6	\$522.0	\$544.1	\$579.5	\$649.1	\$852.7	\$910.1	\$935.4	\$944.0	\$1,437.0	\$1,910.3
<b>ROIC</b>	<b>12.5%</b>	<b>19.0%</b>	<b>23.8%</b>	<b>24.9%</b>	<b>27.2%</b>	<b>27.5%</b>	<b>24.3%</b>	<b>25.7%</b>	<b>26.7%</b>	<b>30.8%</b>	<b>22.7%</b>	<b>18.0%</b>

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

## Return on Average Equity (%)\*

(\$ in Millions)	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16	F'17*	F'18*	F'19*	F'20*
<b>Adjusted Net Earnings</b>	\$62.8	\$93.2	\$117.7	\$129.5	\$154.8	\$173.9	\$201.6	\$231.0	\$248.0	\$290.1	\$324.3	\$327.7
<b>Avg. Quarterly Equity</b>	\$361.3	\$298.6	\$294.4	\$312.4	\$355.8	\$387.1	\$451.0	\$537.6	\$599.5	\$630.8	\$800.8	\$1,016.5
<b>ROAE</b>	<b>17.4%</b>	<b>31.2%</b>	<b>40.0%</b>	<b>41.5%</b>	<b>43.5%</b>	<b>44.9%</b>	<b>44.7%</b>	<b>43.0%</b>	<b>41.4%</b>	<b>46.0%</b>	<b>40.5%</b>	<b>32.2%</b>

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

\*Non-GAAP Measures: F'17, F'18, F'19 & F'20 ROIC and ROAE are calculated with Adjusted Operating Earnings, Adjusted Effective Tax Rate and Adjusted Net Earnings

# FIRST-QUARTER FISCAL 2021 NON-GAAP RECONCILIATIONS

The following table provides a reconciliation of financial measures calculated and reported in accordance with GAAP, as well as adjusted non-GAAP financial measures for the three-month periods ended January 29, 2021 and January 31, 2020:

	Three Months Ended	
	January 29, 2021	January 31, 2020
<b>(Dollars in thousands, except per share data)</b>		
Gross profit	\$ 315,036	\$ 288,088
Acquisition-related costs <sup>2</sup>	—	470
Non-GAAP gross profit	\$ 315,036	\$ 288,558
Gross margin	36.1 %	37.5 %
Acquisition-related costs <sup>2</sup>	— %	0.1 %
Non-GAAP gross margin	36.1 %	37.6 %
Operating earnings	\$ 141,465	\$ 91,129
Litigation settlement, net <sup>1</sup>	(17,075)	—
Acquisition-related costs <sup>2</sup>	—	2,018
Non-GAAP operating earnings	\$ 124,390	\$ 93,147
Earnings before income taxes	\$ 135,826	\$ 86,139
Litigation settlement, net <sup>1</sup>	(17,075)	—
Acquisition-related costs <sup>2</sup>	—	2,018
Non-GAAP earnings before income taxes	\$ 118,751	\$ 88,157
Net earnings	\$ 111,281	\$ 70,091
Litigation settlement, net <sup>1</sup>	(13,455)	—
Acquisition-related costs <sup>2</sup>	—	1,633
Tax impact of share-based compensation <sup>3</sup>	(4,578)	(2,035)
Non-GAAP net earnings	\$ 93,248	\$ 69,689

# FIRST-QUARTER FISCAL 2021 NON-GAAP RECONCILIATIONS CONT.

(Dollars in thousands, except per share data)	Three Months Ended	
	January 29, 2021	January 31, 2020
Diluted EPS	\$ 1.02	\$ 0.65
Litigation settlement, net <sup>1</sup>	(0.13)	—
Acquisition-related costs <sup>2</sup>	—	0.01
Tax impact of share-based compensation <sup>3</sup>	(0.04)	(0.02)
<b>Non-GAAP diluted EPS</b>	<b>\$ 0.85</b>	<b>\$ 0.64</b>
Effective tax rate	18.1 %	18.6 %
Tax impact of share-based compensation <sup>3</sup>	3.4 %	2.4 %
<b>Non-GAAP effective tax rate</b>	<b>21.5 %</b>	<b>21.0 %</b>

<sup>1</sup> On November 19, 2020, Exmark Manufacturing Company Incorporated ("Exmark"), a wholly-owned subsidiary of TTC, and Briggs & Stratton Corporation ("BGG") entered into a settlement agreement ("Settlement Agreement") relating to the decade-long patent infringement litigation that Exmark originally filed in May 2010 against Briggs & Stratton Power Products Group, LLC ("BSPPG"), a former wholly-owned subsidiary of BGG (Case No. 8:10CV187, U.S. District Court for the District of Nebraska) (the "Infringement Action"). The Settlement Agreement provided, among other things, that upon approval by the bankruptcy court, and such approval becoming final and nonappealable, BGG agreed to pay Exmark \$33.65 million ("Settlement Amount"). During January 2021, the Settlement Amount was received by Exmark in connection with the settlement of the Infringement Action and at such time, the underlying events and contingencies associated with the gain contingency related to the Infringement Action were satisfied. As such, we recognized in selling, general and administrative expense within the Condensed Consolidated Statements of Earnings during the first quarter of fiscal 2021 (i) the gain associated with the Infringement Action and (ii) a corresponding expense related to the contingent fee arrangement with our external legal counsel customary in patent infringement cases equal to approximately 50 percent of the Settlement Amount. Accordingly, litigation settlement, net represents the net amount recorded within selling, general and administrative expense in the Condensed Consolidated Statements of Earnings for the settlement of the Infringement Action during the three month period ended January 29, 2021. Refer to Footnote 15, *Contingencies*, for additional information regarding the settlement of the Infringement Action.

<sup>2</sup> On March 2, 2020, we completed the acquisition of Venture Products and on April 1, 2019, we completed the acquisition of CMW. For additional information regarding these acquisitions, refer to Note 2, *Business Combination*, within the Notes to Condensed Consolidated Financial Statements included within Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q. Acquisition-related costs for the three month period ended January 31, 2020 represent costs incurred related to our acquisition of Venture Products, as well as integration costs and charges incurred for the take-down of the inventory fair value step-up amount resulting from purchase accounting adjustments related to our acquisition of CMW. No acquisition-related costs were incurred during the three month period ended January 29, 2021.

<sup>3</sup> The accounting standards codification guidance governing employee stock-based compensation requires that any excess tax deduction for share-based compensation be immediately recorded within income tax expense. Employee stock-based compensation activity, including the exercise of stock options under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, can be unpredictable and can significantly impact the company's net earnings, diluted EPS, and effective tax rate. These amounts represent the discrete tax benefits recorded as excess tax deductions for share-based compensation during the three month periods ended January 29, 2021 and January 31, 2020.



# FIRST-QUARTER FISCAL 2021 RECONCILIATION OF FREE CASH FLOW AND FREE CASH FLOW CONVERSION

\$ in millions	Q1 F'21	Q1 F'20
Net cash provided by (used in) operating activities, as reported	\$95.0	(\$23.3)
Purchases of property, plant and equipment	(10.5)	(11.8)
<b>Free Cash Flow (FCF)</b>	<b>\$84.5</b>	<b>(\$35.1)</b>
FCF Conversion*	76%	(50%)

*\*\*FCF Conversion Percentage = Free Cash Flow/GAAP Net Earnings*

# MANUFACTURING LOCATIONS



