

THE TORO COMPANY

Serving Customers Through Superior Innovation and Superior Customer Care

Investor Presentation
December 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



INVESTMENT SUMMARY

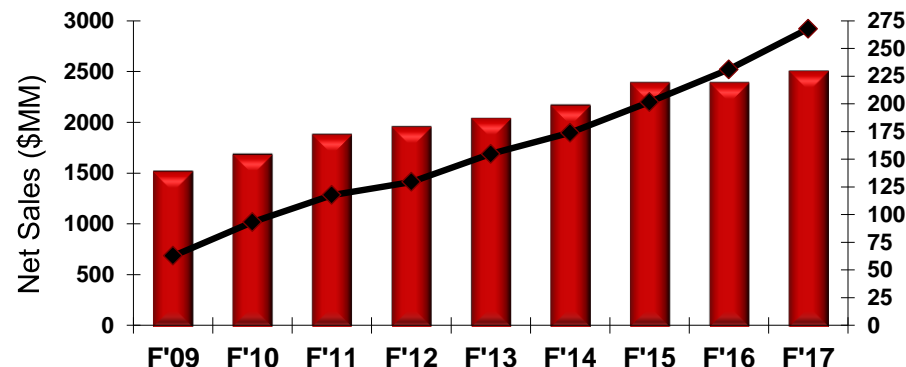
(NYSE: TTC)

Summary & Financial Performance

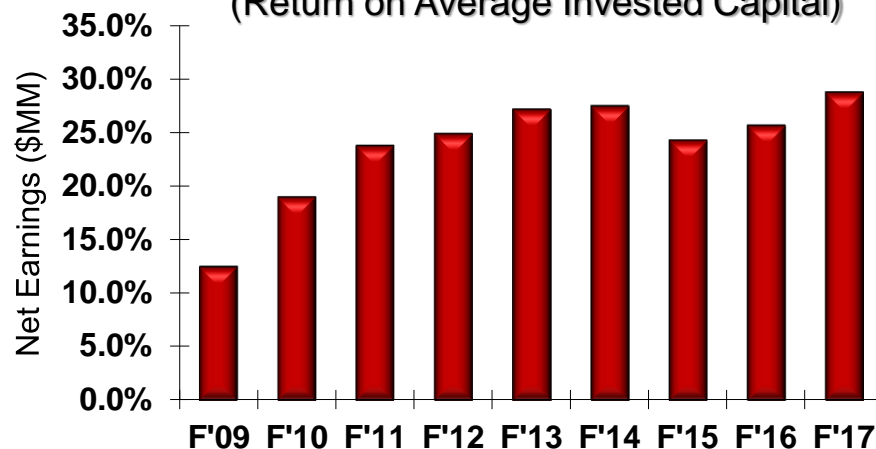
- Rich History and Deep Expertise in Solutions for the Outdoor Environment & Development of Distribution and Customer Care Networks
- Diverse Portfolio of Markets & Products
- Innovation & Brand Leadership
- Strong Financial Performance



(Net Sales & Earnings)



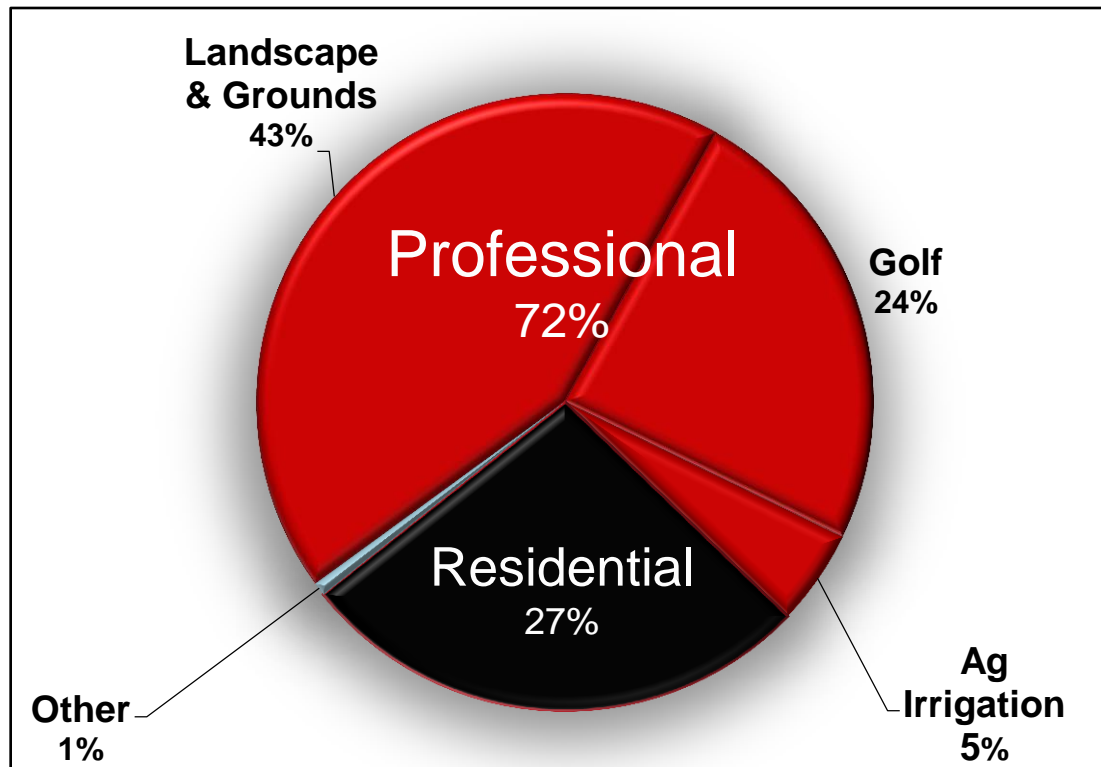
(Return on Average Invested Capital)



DIVERSE PORTFOLIO

F'17 REVENUES—\$2.5 BILLION

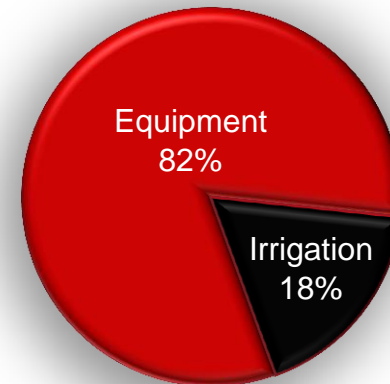
Segments & Markets



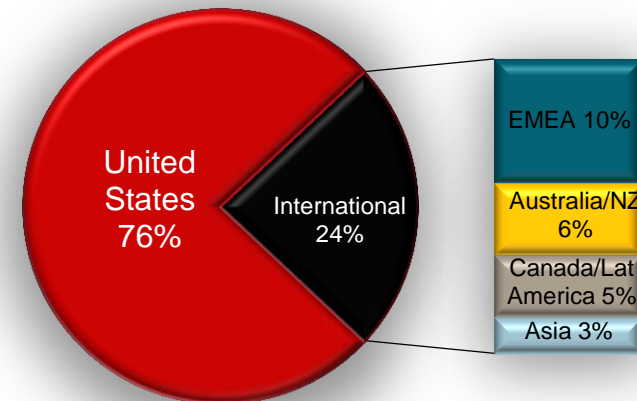
Professional
F'17 Sales: \$1.8B
F'17 Segment Earnings: 20.9%

Residential
F'17 Sales: \$673.2M
F'17 Segment Earnings: 11.1%

Products



Geography



PROFESSIONAL SEGMENT

Landscape and Grounds

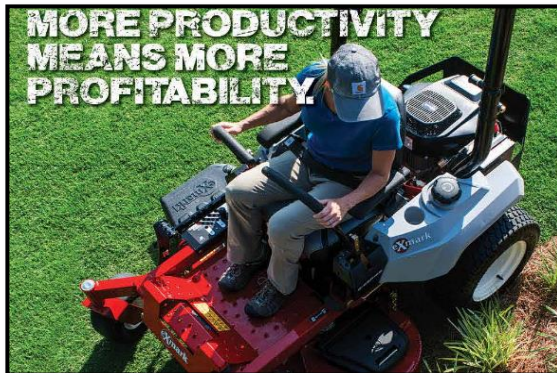
Turf
Equipment

Snow & Ice
Management

Irrigation &
Lighting

Rental &
Specialty
Construction

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



PROFESSIONAL SEGMENT

~15,500 Golf Courses

~16,000+ Golf Courses

Golf

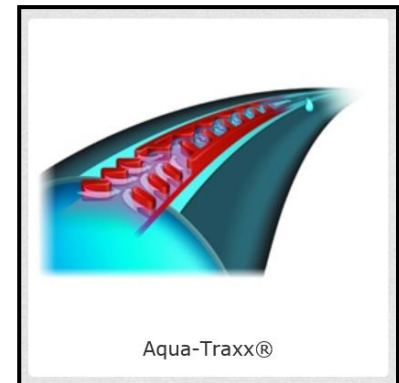
- Turf Equipment & Irrigation Systems
- TTC Advantage
 - Innovation & Performance—Share Gain & Margin Expansion
 - Strong Network of Distributors, Relationships & Customer Care



Micro-Irrigation Solutions

- 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
Acreage	50%	40%	10%
Efficiency	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



Customer Reviews

“Started on first pull. Works as advertised and well worth the price.”

MrC74 – North Carolina
Great Power Great Value

F'17 FULL YEAR & 4Q RECORD RESULTS

(RELEASED DECEMBER 7, 2017)

	F'17 FY	▲ from F'16 FY	F'17 4Q	▲ from F'16 4Q
Revenues	\$2.5B	4.7%	\$488.6M	4.3%
Gross Margin (% of Revenues)	36.8%	20 bps	37.7%	90 bps
SG&A (% of Revenues)	22.6%	0 bps	28.0%	50 bps
Operating Earnings (\$)	\$355.1M	6.2%	\$47.5M	9.1%
Operating Earnings (% of Revenues)	14.2%	20 bps	9.7%	40 bps
EPS	\$2.41	17.0%	\$0.31	14.8%



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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



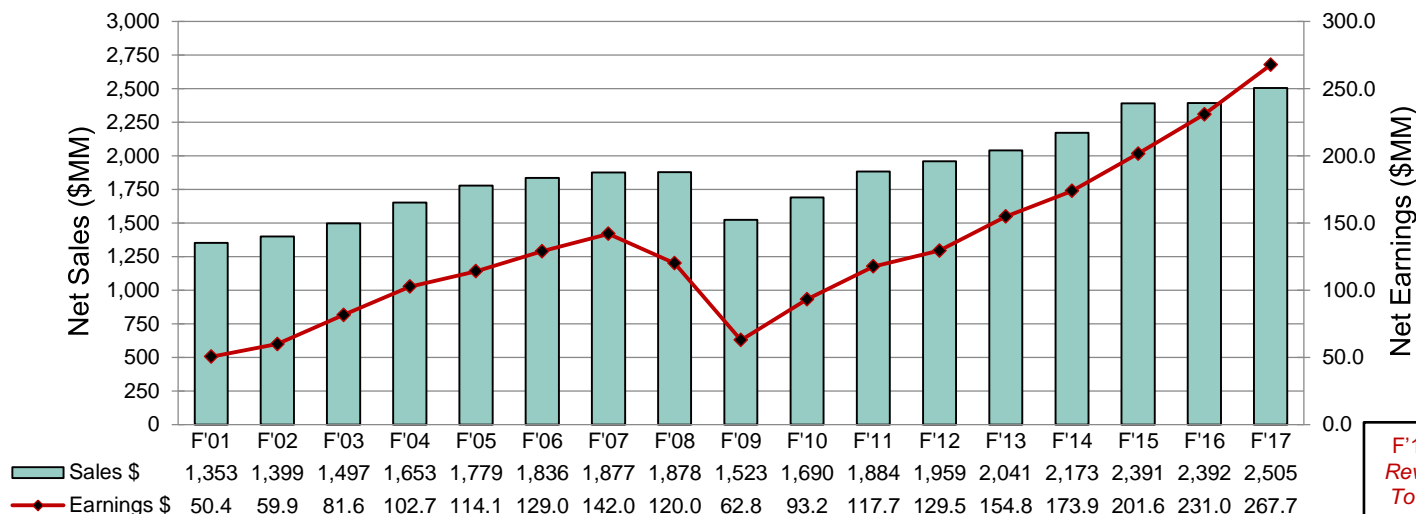
F'15 – F'17

- 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'20

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



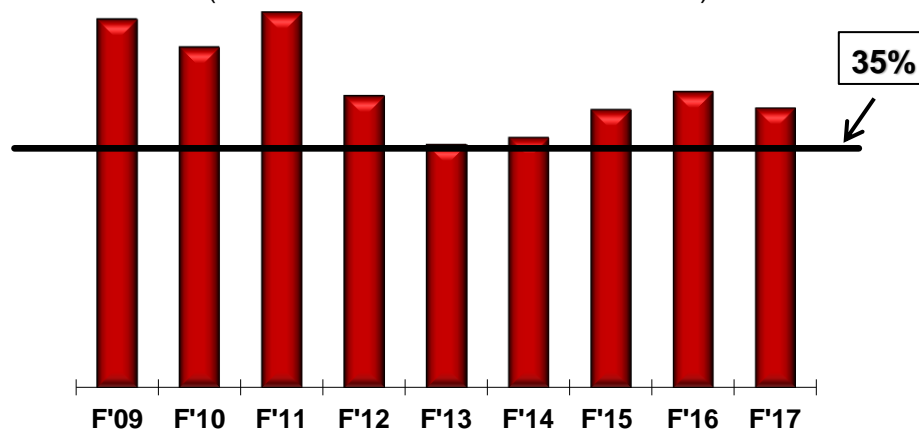
F'18 Guidance
Revenue growth
To Exceed 4%;
EPS about
\$2.57-\$2.63

- 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

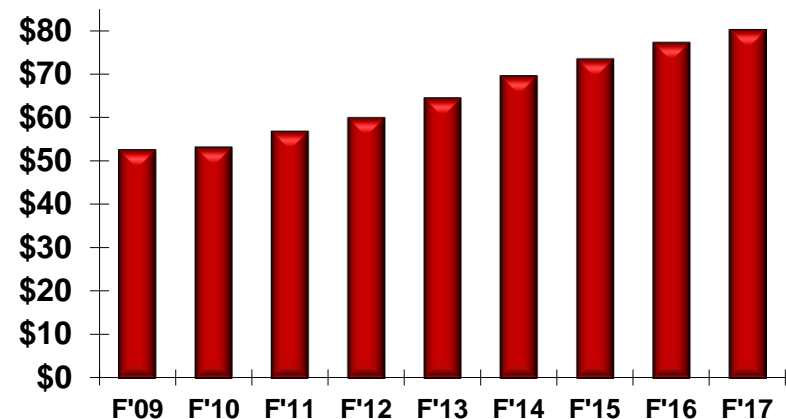
(Percent of Sales from New Products*)



*Introduced in Current & Previous Two Fiscal Years

R&E Investment

(In Millions)



CAPITAL DEPLOYMENT

Cash From
Operations



▣ Cash Conversion to Approximate Net Income

Operating and Growth Needs

- Internal Productive Assets
- Acquisitions & Alliances



▣ Target Debt-to-EBITDA Ratio of 1-2x

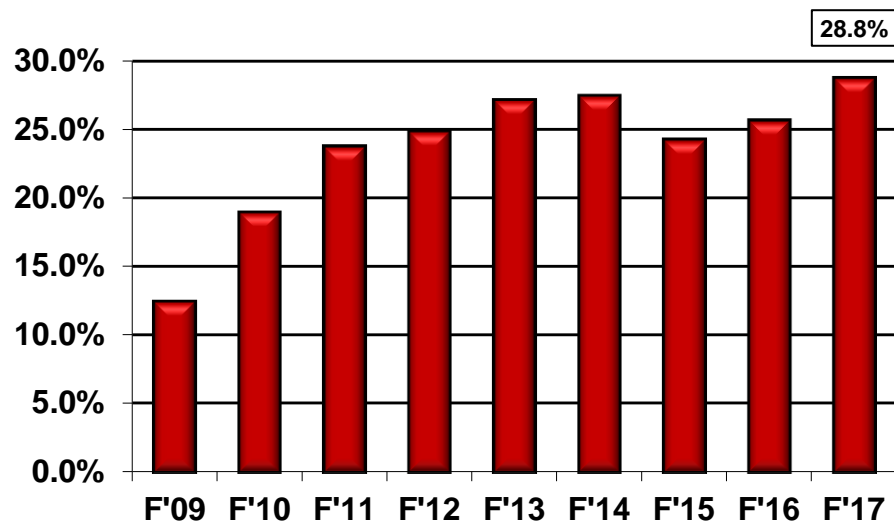
Return to Shareholders

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

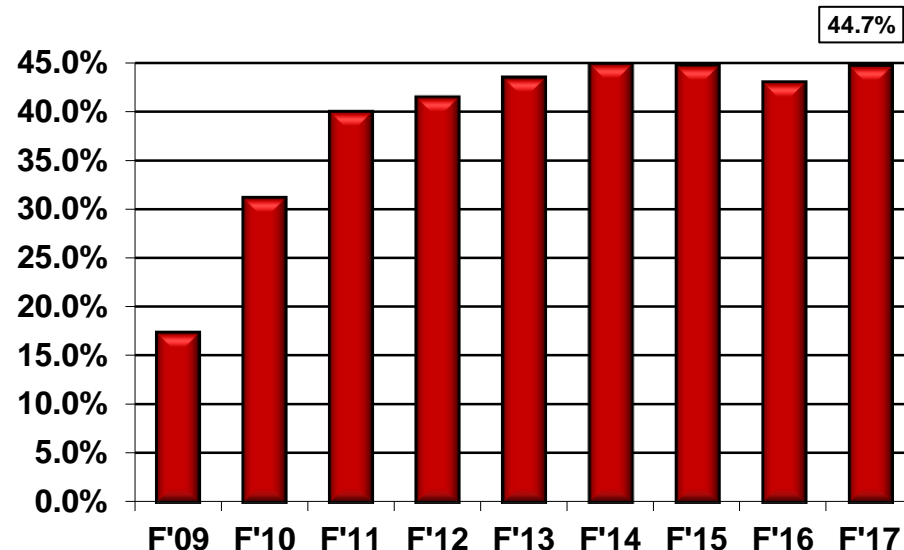
(\$ millions)	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16	F'17	Total
Operating Cash Flow	\$255	\$193	\$120	\$200	\$234	\$197	\$250	\$384	\$361	\$2,194
Capital Expenditures	\$38	\$49	\$57	\$43	\$49	\$71	\$56	\$51	\$58	\$473
Strategic Acquisitions (net of cash)	\$6	\$10	\$15	\$10	\$2	\$1	\$198	\$0	\$24	\$266
Dividends Paid	\$21	\$24	\$25	\$26	\$32	\$45	\$56	\$66	\$76	\$371
Share Repurchases	\$115	\$136	\$130	\$93	\$99	\$102	\$106	\$110	\$159	\$1,050
Total Capital Deployed	\$181	\$218	\$227	\$172	\$183	\$219	\$416	\$227	\$318	\$2,160
% of Operating Cash Flow	71%	113%	190%	86%	78%	111%	167%	59%	88%	98%

KEY PERFORMANCE MEASURES

Return on Average Invested Capital (%)*



Return on Average Equity (%)*

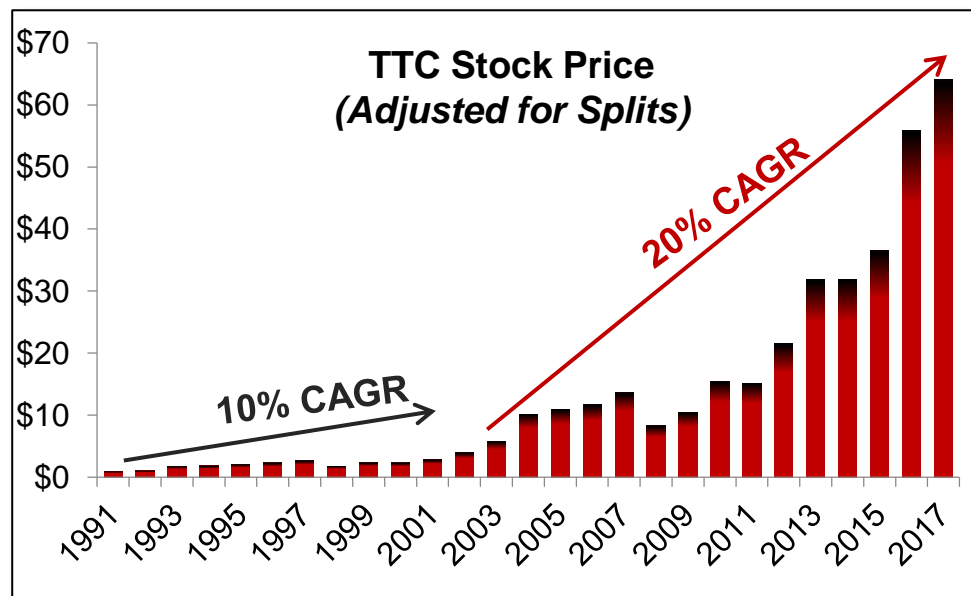
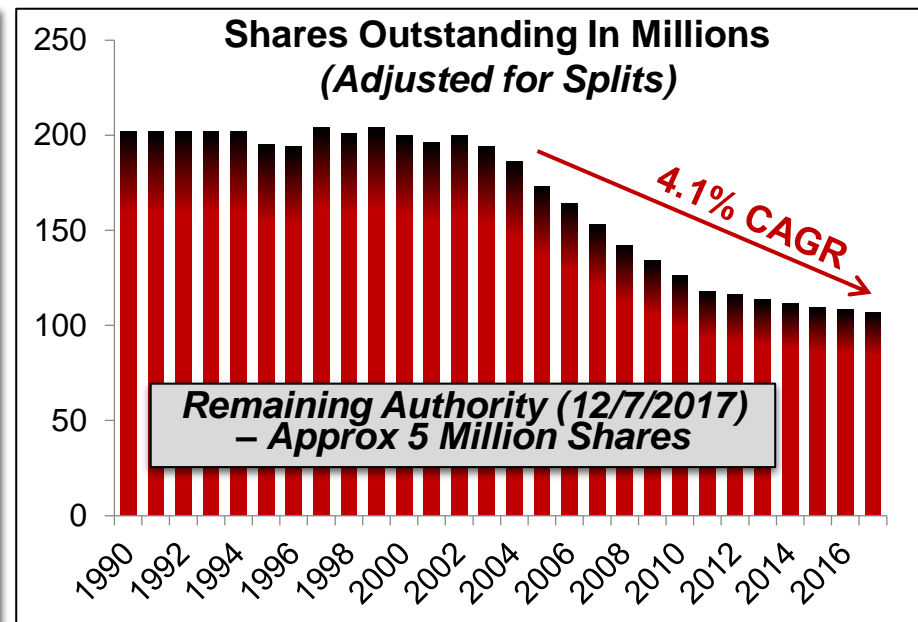
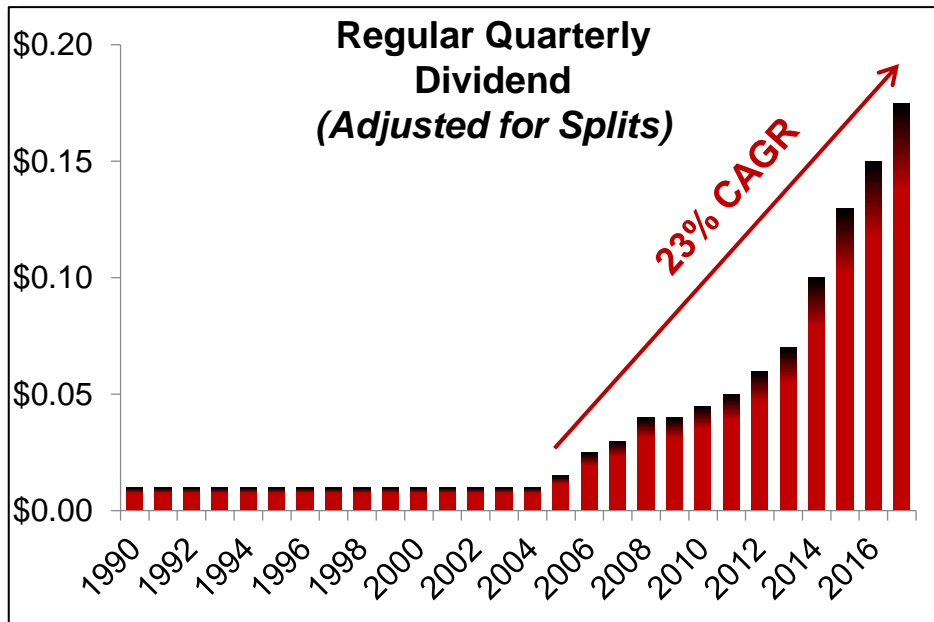


Cash Flow

	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16	F'17
Operating Activities Net Cash	\$255.1M	\$193.2M	\$119.9M	\$199.9M	\$234.4M	\$196.9M	\$249.6M	\$384.3M	\$360.7M
Cap Ex	(\$37.9M)	(\$48.7M)	(\$57.4M)	(\$43.2M)	(\$49.4M)	(\$71.1M)	(\$56.4M)	(\$50.7M)	(\$58.3M)
Free Cash Flow	\$217.1M	\$144.5M	\$62.5M	\$156.7M	\$184.9M	\$125.8M	\$193.2M	\$333.6M	\$302.5M

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

INCREASING SHAREHOLDER VALUE



SUMMARY

GAINING MOMENTUM

Building on a Solid Foundation

- Beginning our Second Century of Innovation, Relationships & Excellence
- Enduring Company Culture & Effective Employee Initiatives
- Demonstrated Consistent Financial Performance



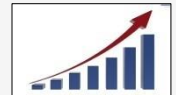
Leveraging a High Value Business Model

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



Driving Growth and Profitability

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



GUIDANCE

(AS OF DECEMBER 7, 2017)

F'18 FY

EPS:	About \$2.57 - \$2.63	
Revenues:	To Exceed 4%	
Gross Margin: (% of Revenues)	Improvement over F'17	
SG&A: (% of Revenues)	Improvement over F'17	
Effective Tax Rate:	About 26%	<i>(Includes an estimated \$20M discrete tax benefit resulting from adoption of ASU 2016-09, similar to F'17)</i>
CapEx:	About \$75M	
Depreciation & Amortization:	Similar to F'17	
Interest Expense:	Slight Reduction Compared to F'17	
Share Repurchases:	Expect to spend an Amount Similar to F'17	
Free Cash Flow:	About \$250M	





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	F'17
Op Earn * (1-Tax Rate)	\$75.6	\$99.8	\$124.2	\$135.7	\$157.5	\$178.4	\$207.2	\$233.7	\$269.2
Avg. Quarterly Capital Utilized	\$606.0	\$526.6	\$522.0	\$544.1	\$579.5	\$649.1	\$852.7	\$910.1	\$935.4
ROIC	12.5%	19.0%	23.8%	24.9%	27.2%	27.5%	24.3%	25.7%	28.8%

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

Return on Average Equity (%)

(\$ in Millions)	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16	F'17
Net Income	\$62.8	\$93.2	\$117.7	\$129.5	\$154.8	\$173.9	\$201.6	\$231.0	\$267.7
Avg. Quarterly Equity	\$361.3	\$298.6	\$294.4	\$312.4	\$355.8	\$387.1	\$451.0	\$537.6	\$599.5
ROAE	17.4%	31.2%	40.0%	41.5%	43.5%	44.9%	44.7%	43.0%	44.7%

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

EARNINGS HISTORY

F'13—F'17

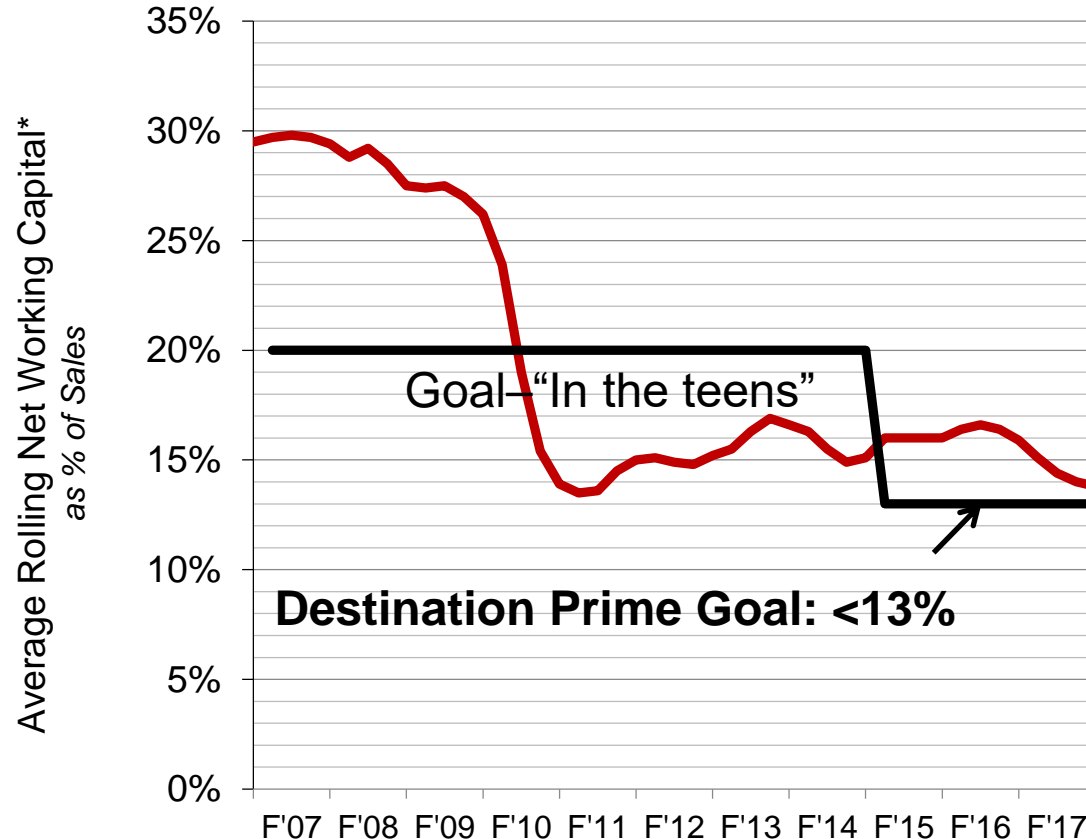
(\$ millions except EPS)		F'13	F'14	F'15	F'16	F'17
Net Sales		\$2,041.4	\$2,172.7	\$2,390.9	\$2,392.2	\$2,505.2
Percent Growth		4.2%	6.4%	10.0%	0.1%	4.7%
Gross Profit		\$724.8	\$773.3	\$835.9	\$874.6	\$920.8
% of Sales		35.5%	35.6%	35.0%	36.6%	36.8%
SG&A		\$494.1	\$510.1	\$536.8	\$540.2	\$565.7
% of Sales		24.2%	23.5%	22.5%	22.6%	22.6%
Operating Earnings		\$230.7	\$263.2	\$299.1	\$334.4	\$355.1
% of Sales		11.3%	12.1%	12.5%	14.0%	14.2%
Other (Inc)/Exp		\$12.3	\$8.7	\$10.7	\$15.4	\$17.2
Interest Expense		-\$16.2	-\$15.4	-\$18.8	-\$19.3	-\$19.1
Pretax Earnings		\$226.7	\$256.4	\$291.0	\$330.5	\$353.2
% of Sales		11.1%	11.8%	12.2%	13.8%	14.1%
Net Earnings		\$154.8	\$173.9	\$201.6	\$231.0	\$267.7
% of Sales		7.6%	8.0%	8.4%	9.7%	10.7%
% Growth		19.5%	12.3%	15.9%	14.6%	15.9%
EPS		\$1.31	\$1.51	\$1.78	\$2.06	\$2.41
% Growth		22.4%	15.3%	17.5%	15.7%	17.0%

FYE BALANCE SHEET

F'13—F'17

(\$ millions)	F'13	F'14	F'15	F'16	F'17
Cash	\$ 183.0	\$ 314.9	\$ 126.3	\$ 273.6	\$ 310.3
Accts Receivable	\$ 157.2	\$ 158.2	\$ 177.0	\$ 163.3	\$ 183.1
Inventory	\$ 240.1	\$ 274.6	\$ 334.5	\$ 307.0	\$ 329.0
Current Assets	\$ 613.5	\$ 781.2	\$ 672.6	\$ 779.0	\$ 859.9
Total Assets	\$ 993.4	\$1,188.9	\$1,300.4	\$1,384.6	\$1,493.8
Short-Term Debt	\$ 0.0	\$ 20.8	\$ 0.2	\$ 0.0	\$ 0.0
Current Portion LT Debt	\$ 0.0	\$ 6.6	\$ 23.1	\$ 22.5	\$ 26.3
Total Curr Liabilities	\$ 388.8	\$ 400.4	\$ 443.7	\$ 163.8	\$ 521.8
Long-Term Debt	\$ 220.2	\$ 343.8	\$ 351.6	\$ 328.5	\$ 305.6
Equity	\$ 358.7	\$ 408.7	\$ 462.2	\$ 550.0	\$ 617.1
Total Debt/Capital	38.0%	47.6%	44.8%	39.0%	35.0%
Average Debt	\$ 223.8	\$ 244.1	\$ 399.6	\$ 373.0	\$ 338.3

WORKING CAPITAL IMPROVEMENT



A Few Key Numbers

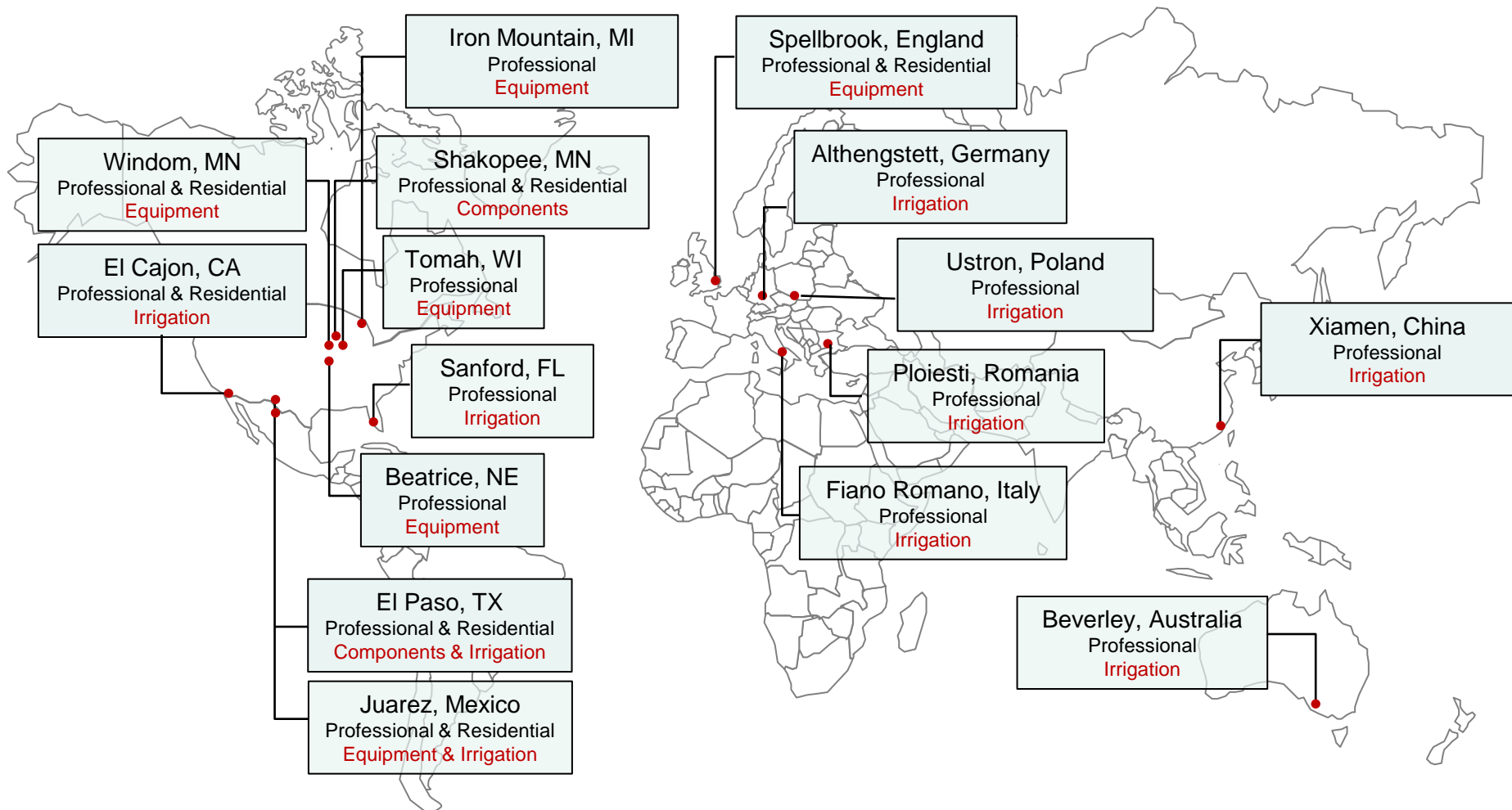
- Achieved long-term working capital goal at end of F'10
- More than \$300M of average working capital freed up for other uses
 - A/R down over 50%
 - Inventory down over 30%
 - Payables up over 30%
- Renewed focus on working capital with Destination **PRIME** to <13%

**Non-GAAP Measure:*

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

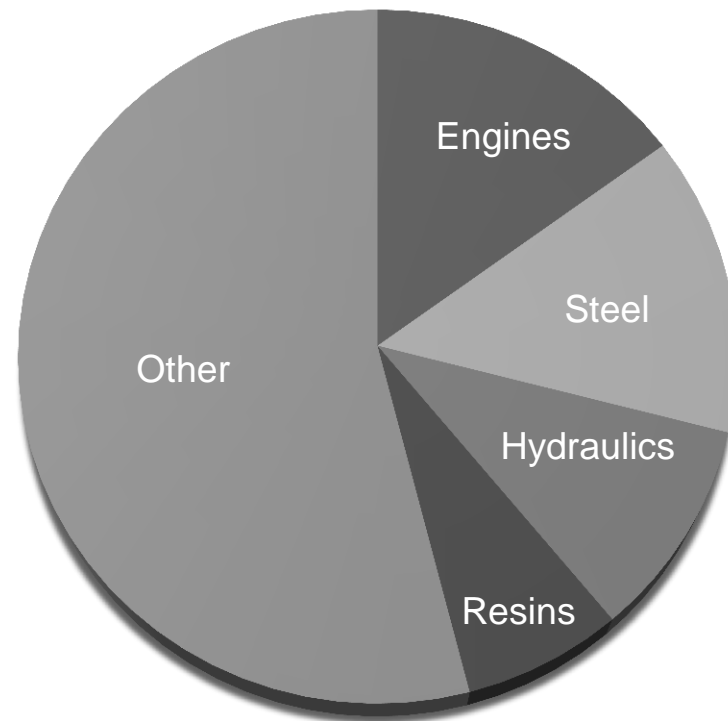
Net Working Capital = Accounts Receivable+ Net Inventory – Trade Payables

MANUFACTURING FACILITIES



MATERIAL COSTS

Major Components of Cost of Goods Sold





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