

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

THE TORO
COMPANY

A wide-angle photograph of a golf course landscape. In the foreground, there are tall, green grasses and a body of water. In the middle ground, a green fairway is visible with several irrigation sprinklers spraying water. In the background, there are sand traps and a clear sky.

THE TORO COMPANY

Q4 2024 EARNINGS RELEASE

December 18, 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 2025 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 and fiscal year ending October 31 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.





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



Q4 2024 Key Messages

1

Delivered *adjusted diluted EPS in line with the expectations we shared, despite the sales mix headwind of having more residential segment growth and less snow shipments than originally expected

2

Successfully drove increased output and shipments for underground construction equipment and golf and grounds products, where sustained strength in demand continues to keep order backlog elevated

3

Increased shipments of lawn care products driven by mass channel in our residential segment and strong dealer demand for new Exmark Laser Z zero turn mower models in our professional segment

4

Introduced full-year fiscal 2025 guidance of *adjusted diluted EPS in the range of \$4.25 to \$4.40; market leadership positions remain strong across the portfolio; major productivity initiative on track



Q4 2024 Financial Highlights

(Year-over-year comparisons below)

9.4%

NET SALES
GROWTH

Increase primarily driven by higher shipments of golf and grounds products and underground construction equipment, and increased shipments of lawn care products, partially offset by lower shipments of snow and ice management products, and compact utility loaders

-130 bps

ADJUSTED GROSS
MARGIN*

Decrease primarily due higher material, freight, and manufacturing costs, as we continued to align production to quickly changing demand dynamics, partially offset by productivity improvements

+80 bps

ADJUSTED OPERATING
EARNINGS MARGIN*

Productivity improvements, net sales leverage, lower incentive compensation, and decreased marketing costs more than offset higher material, freight, and manufacturing costs, as well as product mix

Q4 results reflect sustained strength in key professional markets, successful new product introductions and partnerships, along with continued field rebalancing

Q4 2024 Other Notable Highlights



Full-Year Free Cash Flow* Up Over \$300M

Conversion rate* of 112% supported share repurchases of nearly \$250M



\$1.2B Backlog Remains Elevated; Making Progress

Reflects sustained demand strength for underground construction, golf and grounds businesses



New Product Pipeline As Strong As Ever

Early 2025 retail launches of residential, commercial, and golf autonomous solutions



Dividend And Share Authorization Increased

Board approved regular dividend payout increase of 6%; additional 4M share repurchase authorization

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

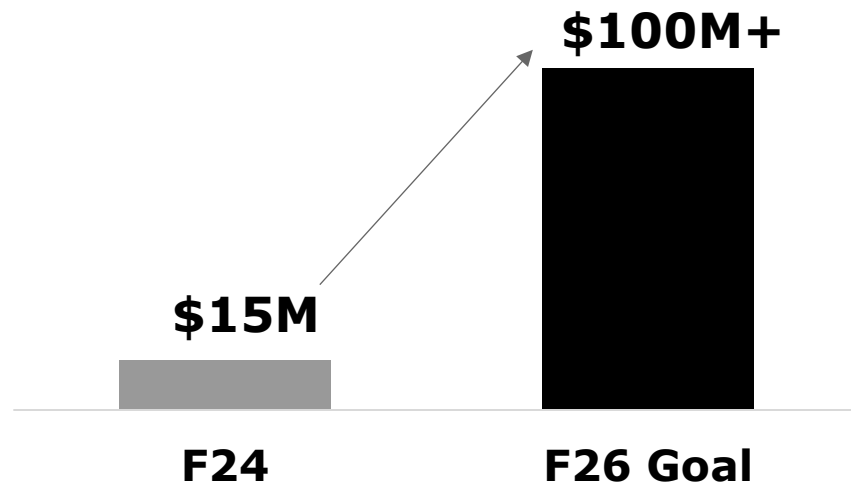
Irrigation

Outdoor lighting solutions

Amplifying Maximum Productivity (“AMP”)

Significant productivity initiative expected to deliver at least \$100M incremental annual cost savings by 2027, a portion of which the company intends to prudently reinvest

Annualized Savings Implemented



Focus Areas for Transformation

Supply Base

Design to Value

Route-to-Market

Operational Efficiency

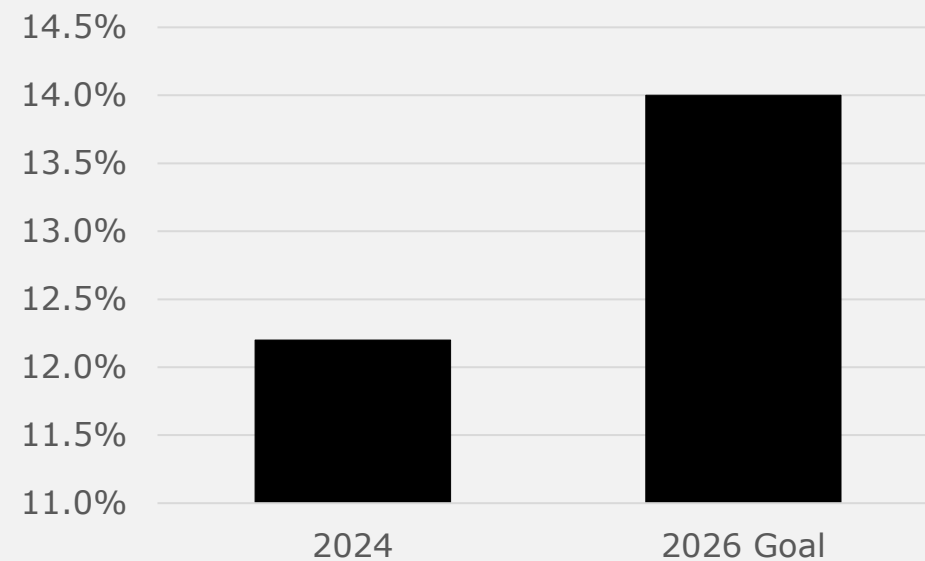
Program off to strong start, on track to achieve \$100M of run-rate savings by 2027

"AMP It Up" Initiative: 2025-2026

Employee initiative focused on driving profitability across the enterprise



Adjusted Operating Earnings Margin*



Employee rewards aligned with stretch goals create engagement at all levels



Financials

Q4 Consolidated Results

Strength of businesses with elevated order backlog, along with productivity gains and net sales leverage, drove top- and bottom-line growth

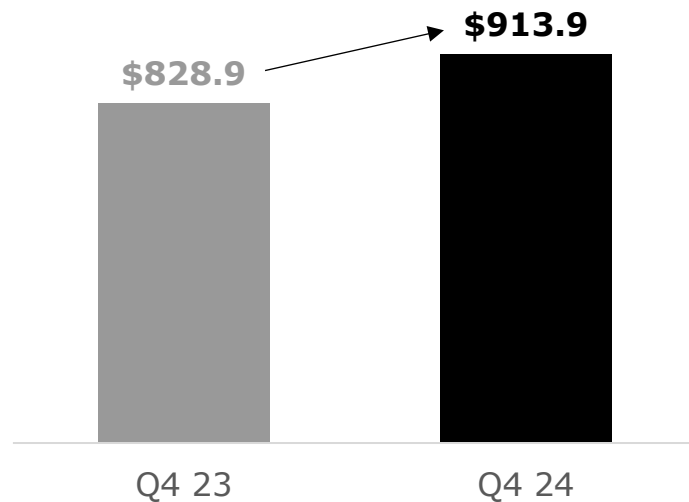
	REPORTED			ADJUSTED*		
	Q4 24	Q4 23	Change from Q4 23	Q4 24	Q4 23	Change from Q4 23
Net Sales	\$1,076.0M	\$983.2M	+9.4%	\$1,076.0M	\$983.2M	+9.4%
Gross Profit (\$)	\$349.0M	\$329.6M	+5.9%	\$347.8M	\$330.8M	+5.1%
Gross Margin (% of Net Sales)	32.4%	33.5%	-110 bps	32.3%	33.6%	-130 bps
Operating Earnings (\$)	\$109.0M	\$94.5M	+15.3%	\$117.0M	\$99.5M	+17.6%
Operating Earnings Margin (% of Net Sales)	10.1%	9.6%	+50 bps	10.9%	10.1%	+80 bps
Earnings Before Income Taxes	\$109.3M	\$86.9M	+25.8%	\$117.5M	\$91.9M	+27.9%
Net Earnings	\$89.9M	\$70.3M	+27.9%	\$97.7M	\$74.1M	+31.8%
Diluted EPS	\$0.87	\$0.67	+29.9%	\$0.95	\$0.71	+33.8%

Q4 Professional Segment Results

NET SALES

(in millions)

+10.3%

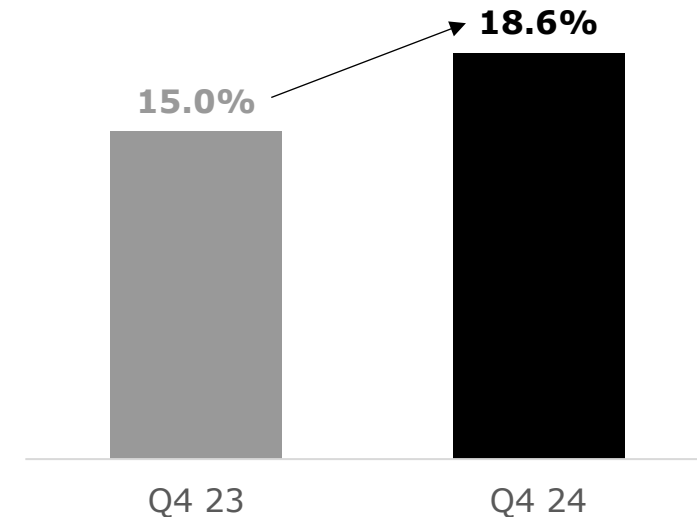


Increase primarily driven by **higher shipments** of **golf and grounds products** and **underground construction equipment**, along with **net price realization**, partially offset by **lower shipments** of **compact utility loaders** and **snow and ice management products**

SEGMENT EARNINGS RATE

(as a percentage of net sales)

+360 bps

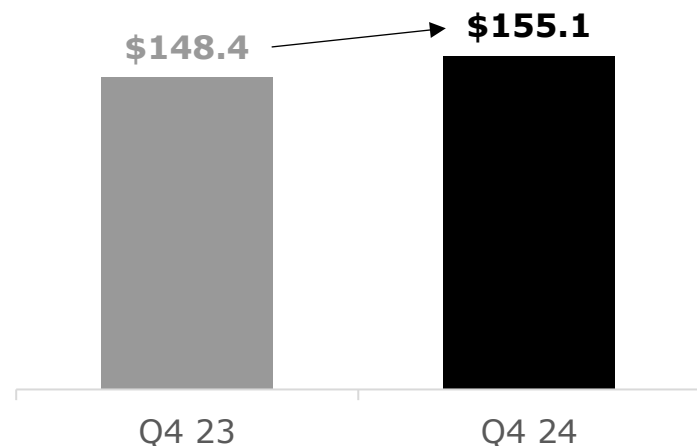


Increase primarily due to **productivity improvements**, **net sales leverage**, **net price realization**, and **product mix**, partially offset by **higher material and manufacturing costs**

Q4 Residential Segment Results

NET SALES (in millions)

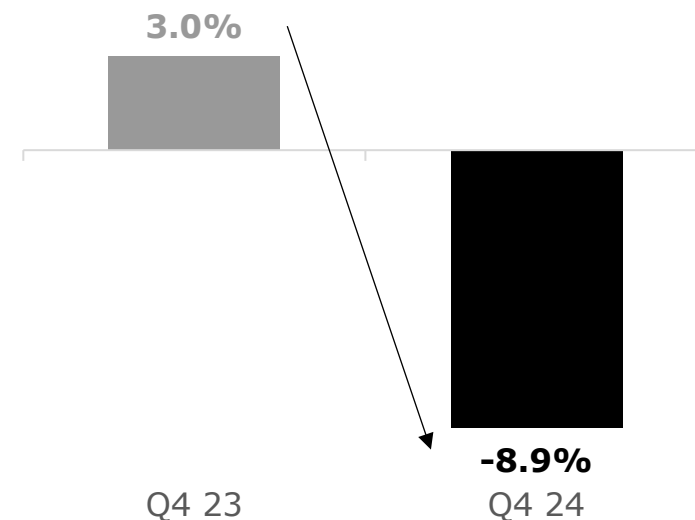
+4.5%



Increase primarily driven by **higher shipments of lawn care products to mass channel**, partially offset by **lower shipments of snow products**, and **higher sales promotions**

SEGMENT EARNINGS RATE (as a percentage of net sales)

-1190 bps*



Decrease primarily due to **higher material and freight costs, higher warranty and marketing expense, and product mix**, partially offset by **productivity improvements**

Full-Year 2024 Consolidated Results

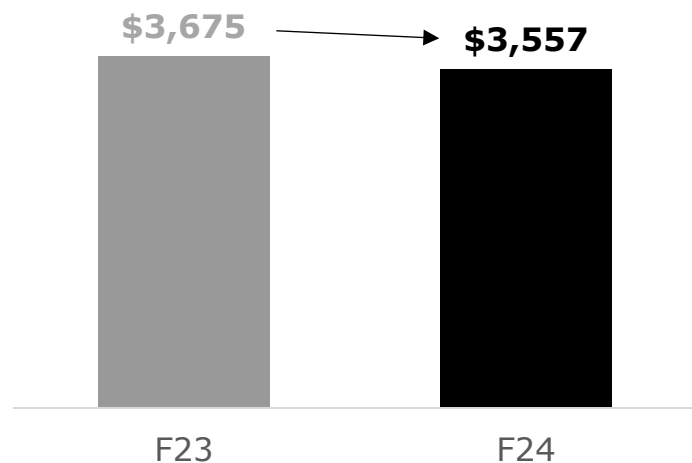
15th consecutive year of top-line growth in an extremely dynamic operating environment, driven by the strength of our balanced portfolio, and our team's disciplined execution

	REPORTED			ADJUSTED*		
	F24	F23	Change from F23	F24	F23	Change from F23
Net Sales	\$4,583.8M	\$4,553.2M	+0.7%	\$4,583.8M	\$4,553.2M	+0.7%
Gross Profit (\$)	\$1,549.3M	\$1,577.6M	-1.8%	\$1,555.0M	\$1,579.0M	-1.5%
Gross Margin (% of Net Sales)	33.8%	34.6%	-80 bps	33.9%	34.7%	-80 bps
Operating Earnings (\$)	\$533.3M	\$430.7M	+23.8%	\$560.5M	\$587.4M	-4.6%
Operating Earnings Margin (% of Net Sales)	11.6%	9.5%	+210 bps	12.2%	12.9%	-70 bps
Earnings Before Income Taxes	\$512.8M	\$400.5M	+28.0%	\$535.9M	\$557.2M	-3.8%
Net Earnings	\$418.9M	\$329.7M	+27.1%	\$435.2M	\$443.5M	-1.9%
Diluted EPS	\$4.01	\$3.13	+28.1%	\$4.17	\$4.21	-1.0%

Full-Year 2024 Professional Segment Results

NET SALES (in millions)

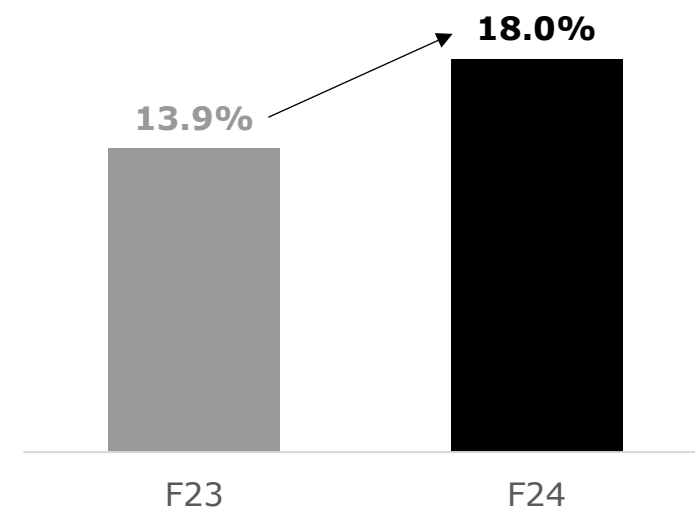
-3.2%



Decrease primarily due to **lower shipments** of lawn care equipment, snow and ice management products, and compact utility loaders, partially offset by **higher shipments** of golf and grounds products and underground construction equipment

SEGMENT EARNINGS RATE (as a percentage of net sales)

+410 bps



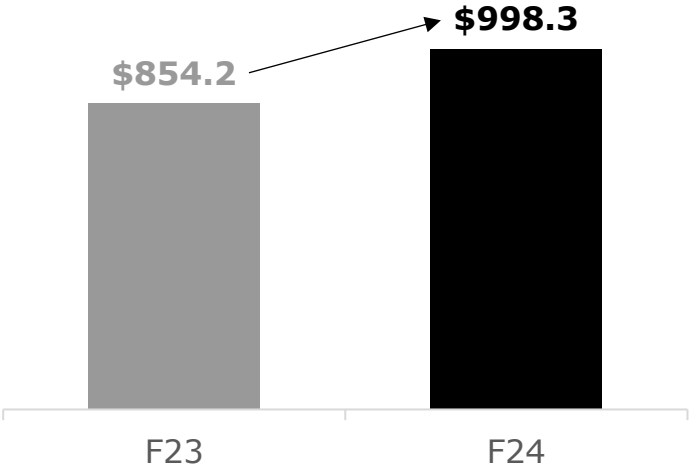
Increase primarily driven by **non-cash impairment charges** in the prior year, **productivity improvements**, and **product mix**, partially offset by **higher material and manufacturing costs** and **lower net sales volume**

Full-Year 2024 Residential Segment Results

NET SALES

(in millions)

+16.9%

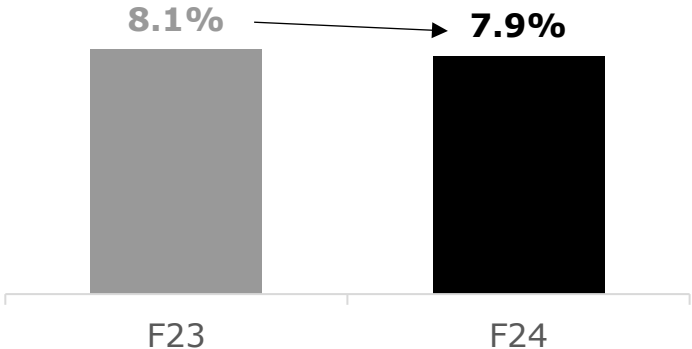


Increase primarily due to **higher shipments** to the company's **mass channel**, partially offset by **lower shipments** of **snow products**

SEGMENT EARNINGS RATE

(as a percentage of net sales)

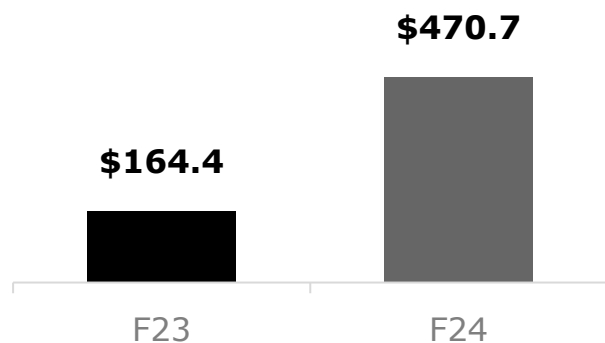
-20 bps



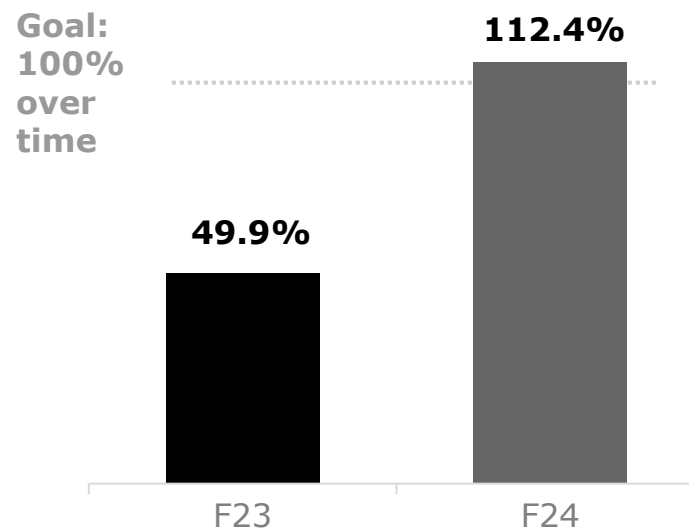
Change was primarily driven by **product mix** and **higher material and manufacturing costs**, partially offset by **productivity improvements** and **net sales leverage**

Strong Balance Sheet and Resilient Free Cash Flow

Free Cash Flow*
(Twelve months ended)
In millions

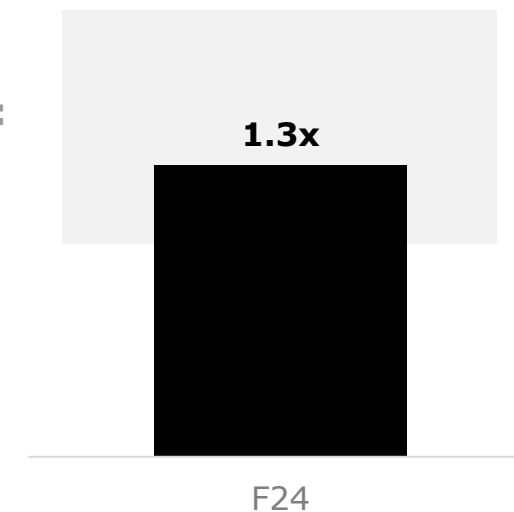


Free Cash Flow Conversion*
(Twelve months ended)



Gross Debt to EBITDA Ratio*

Target
Range:
1.0x-
2.0x



Significant improvement in free cash flow supported \$150M in regular dividends, \$246M in share repurchases, and \$110M in debt paydown during 2024

Effective Capital Deployment

Consistent Priorities

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

2024 Actions

Invested ~\$100M to fund new product investments, advanced manufacturing technologies, and capacity for growth within existing manufacturing footprint

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

Returned \$149.5M to shareholders via regular dividends, representing a payout increase of 6% year-over-year

Returned \$245.5M to shareholders via share repurchases

Disciplined capital allocation driving long-term value for all stakeholders

Q1 2025 Outlook Commentary

(All on a year-over-year basis unless noted)



Net Sales Growth (%)	Total Company Similar
	Professional Segment Up Low Single-Digits
	Residential Segment Down Mid Single-Digits
Adjusted Operating Earnings Margin* (%)	Total Company Slightly Lower
Segment Earnings Margin (%)	Professional Segment Similar to Slightly Higher
	Residential Segment Slightly Lower
Adjusted Diluted EPS* (\$)	Slightly Lower

Full-Year 2025 Guidance

Net Sales Growth (%)	Up 0% to 1%
Adjusted Gross Margin	Higher than 2024
Adjusted Operating Earnings Margin* (%)	Higher than 2024
Adjusted Diluted EPS* (\$)	\$4.25 to \$4.40
Capital Expenditures (\$)	~\$100M
Depreciation & Amortization (\$)	\$125M to \$135M
Interest Expense	~\$54M
Adjusted Effective Tax Rate* (%)	~20%
Free Cash Flow (FCF) Conversion** (%)	~100%

Well Positioned to Win

- 1 **Leadership** in attractive end-markets
- 2 **Brand heritage** delivering excellence and **brand recognition** creating trust
- 3 **Innovation synergies** leveraged across product categories
- 4 **Deep long-term** customer and channel **relationships**
- 5 **Disciplined** execution
- 6 **Strong** balance sheet





THE TORO
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APPENDIX

Order Backlog

- 1 Order backlog (open order book) at the end of 2024 was ~\$1.2B
- 2 This remains elevated compared to historical levels, driven by sustained demand in underground construction, and golf and grounds businesses
- 3 Order backlog improved from ~\$2B at the end of 2023, driven by our success in driving additional output within our existing manufacturing footprint
- 4 For specialty construction, which is primarily compact utility loaders, supply and demand came into balance during 2024, as expected; with this, order backlog for these products normalized during 2024
- 5 For underground construction and golf/grounds businesses, we expect order backlog will be close to normal by the end of 2025

Accounts Receivable and Floor Plan Financing

- 1 TTC's accounts receivable balance consists of sales to mass channel partners, irrigation customers, and many of our international dealers and distributors
- 2 Majority of US independent dealers and distributors take advantage of inventory floor plan financing programs to fund their purchases, as is customary in our industry
- 3 Red Iron offers financing for the majority of our domestic dealers and distributors of lawn care, snow and ice management, and golf and grounds solutions, as well as Toro-branded specialty construction products
- 4 Third-party institutions also provide financing for a small portion of US dealers and distributors, some international channel partners, and the majority of our Ditch Witch underground construction distribution partners
- 5 TTC's 45% non-controlling ownership stake in the Red Iron JV allows us to recoup a portion of our floor planning costs, and in accordance with GAAP the JV income is reported within "other income" in our income statement

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

	Three Months Ended		Twelve Months Ended	
	October 31, 2024	October 31, 2023	October 31, 2024	October 31, 2023
Net sales	\$ 1,076.0	\$ 983.2	\$ 4,583.8	\$ 4,553.2
Cost of sales	727.0	653.6	3,034.5	2,975.6
Gross profit	349.0	329.6	1,549.3	1,577.6
Gross margin	32.4 %	33.5 %	33.8 %	34.6 %
Selling, general and administrative expense	240.0	235.1	1,016.0	995.6
Non-cash impairment charges	—	—	—	151.3
Operating earnings	109.0	94.5	533.3	430.7
Interest expense	(14.5)	(14.9)	(61.9)	(58.7)
Other income, net	14.8	7.3	41.4	28.5
Earnings before income taxes	109.3	86.9	512.8	400.5
Provision for income taxes	19.4	16.6	93.9	70.8
Net earnings	\$ 89.9	\$ 70.3	\$ 418.9	\$ 329.7
Basic net earnings per share of common stock	\$ 0.88	\$ 0.67	\$ 4.04	\$ 3.16
Diluted net earnings per share of common stock	\$ 0.87	\$ 0.67	\$ 4.01	\$ 3.13
Weighted-average number of shares of common stock outstanding — Basic	102.7	104.2	103.8	104.4
Weighted-average number of shares of common stock outstanding — Diluted	103.2	104.9	104.4	105.3

Segment Data (Unaudited)
(Dollars in millions)

Segment net sales	Three Months Ended		Twelve Months Ended	
	October 31, 2024	October 31, 2023	October 31, 2024	October 31, 2023
Professional	\$ 913.9	\$ 828.9	\$ 3,556.9	\$ 3,674.6
Residential	155.1	148.4	998.3	854.2
Other	7.0	5.9	28.6	24.4
Total net sales*	\$ 1,076.0	\$ 983.2	\$ 4,583.8	\$ 4,553.2
*Includes international net sales of:	\$ 231.6	\$ 191.0	\$ 923.0	\$ 947.7

Segment earnings (loss) before income taxes	Three Months Ended		Twelve Months Ended	
	October 31, 2024	October 31, 2023	October 31, 2024	October 31, 2023
Professional	\$ 169.7	\$ 124.5	\$ 638.9	\$ 509.1
Residential	(13.8)	4.5	78.4	68.9
Other	(46.6)	(42.1)	(204.5)	(177.5)
Total segment earnings before income taxes	\$ 109.3	\$ 86.9	\$ 512.8	\$ 400.5

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

	October 31, 2024	October 31, 2023
ASSETS		
Cash and cash equivalents	\$ 199.5	\$ 193.1
Receivables, net	459.7	407.4
Inventories, net	1,038.9	1,087.8
Prepaid expenses and other current assets	66.8	110.5
Total current assets	1,764.9	1,798.8
Property, plant, and equipment, net	644.8	641.7
Goodwill	450.3	450.8
Other intangible assets, net	498.7	540.1
Right-of-use assets	114.5	125.3
Investment in finance affiliate	49.2	50.6
Deferred income taxes	45.0	14.2
Other assets	15.4	22.8
Total assets	\$ 3,582.8	\$ 3,644.3

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

	October 31, 2024	October 31, 2023
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	\$ 10.0	\$ —
Accounts payable	452.7	430.0
Accrued liabilities	493.0	499.1
Short-term lease liabilities	20.3	19.5
Total current liabilities	976.0	948.6
Long-term debt	911.8	1,031.5
Long-term lease liabilities	99.1	112.1
Deferred income taxes	0.5	0.4
Other long-term liabilities	43.5	40.8
Stockholders' equity:		
Preferred stock	—	—
Common stock	101.5	103.8
Retained earnings	1,496.4	1,444.1
Accumulated other comprehensive loss	(46.0)	(37.0)
Total stockholders' equity	1,551.9	1,510.9
Total liabilities and stockholders' equity	\$ 3,582.8	\$ 3,644.3

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

	Twelve Months Ended	
	October 31, 2024	October 31, 2023
Cash flows from operating activities:		
Net earnings	\$ 418.9	\$ 329.7
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Non-cash income from finance affiliate	(20.8)	(19.2)
Distributions from finance affiliate, net	22.2	7.9
Depreciation of property, plant, and equipment	93.7	83.5
Amortization of other intangible assets	34.5	35.7
Stock-based compensation expense	23.0	19.4
Deferred income taxes	(27.9)	(47.9)
Non-cash impairment charges	—	151.3
Other	(2.9)	(0.2)
Changes in operating assets and liabilities, net of the effect of acquisitions:		
Receivables, net	(53.1)	(71.6)
Inventories, net	27.5	(26.7)
Other assets	19.9	17.8
Accounts payable	24.3	(149.9)
Other liabilities	10.6	(23.0)
Net cash provided by operating activities	569.9	306.8

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

	Twelve Months Ended	
	October 31, 2024	October 31, 2023
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(103.5)	(149.5)
Proceeds from insurance claim	4.3	7.1
Business combination	—	(21.0)
Asset acquisition	(0.8)	—
Proceeds from asset disposals	0.3	0.4
Proceeds from divestitures	40.0	5.3
Net cash used in investing activities	(59.7)	(157.7)
Cash flows from financing activities:		
Net (repayments) borrowings under the revolving credit facility	(40.0)	40.0
Long-term debt repayments	(70.0)	—
Proceeds from exercise of stock options	9.1	19.7
Payments of withholding taxes for stock awards	(3.9)	(3.8)
Purchases of TTC common stock	(245.5)	(60.0)
Dividends paid on TTC common stock	(149.5)	(141.9)
Other	(5.3)	(1.5)
Net cash used in financing activities	(505.1)	(147.5)
Effect of exchange rates on cash and cash equivalents	1.3	3.3
Net increase in cash and cash equivalents	6.4	4.9
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	\$ 199.5	\$ 193.1



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 the related earnings call to the most directly comparable measures calculated and reported in accordance with U.S. GAAP for the three and twelve month periods ended October 31, 2024 and October 31, 2023:

	Three Months Ended		Twelve Months Ended	
	October 31, 2024	October 31, 2023	October 31, 2024	October 31, 2023
Gross profit	\$ 349.0	\$ 329.6	\$ 1,549.3	\$ 1,577.6
Acquisition-related costs ¹	—	—	—	0.2
Restructuring charges ²	—	1.2	—	1.2
Productivity initiative ³	(1.2)	—	5.7	—
Adjusted gross profit	\$ 347.8	\$ 330.8	\$ 1,555.0	\$ 1,579.0
Gross margin	32.4 %	33.5 %	33.8 %	34.6 %
Restructuring charges ²	— %	0.1 %	— %	0.1 %
Productivity initiative ³	(0.1)%	— %	0.1 %	— %
Adjusted gross margin	32.3 %	33.6 %	33.9 %	34.7 %
Operating earnings	\$ 109.0	\$ 94.5	\$ 533.3	\$ 430.7
Acquisition-related costs ¹	—	—	—	0.4
Restructuring charges ²	—	5.0	—	5.0
Productivity initiative ³	8.0	—	27.2	—
Non-cash impairment charges ⁴	—	—	—	151.3
Adjusted operating earnings	\$ 117.0	\$ 99.5	\$ 560.5	\$ 587.4
Operating earnings margin	10.1 %	9.6 %	11.6 %	9.5 %
Restructuring charges ²	— %	0.5 %	— %	0.1 %
Productivity initiative ³	0.8 %	— %	0.6 %	— %
Non-cash impairment charges ⁴	— %	— %	— %	3.3 %
Adjusted operating earnings margin	10.9 %	10.1 %	12.2 %	12.9 %

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 the related earnings call to the most directly comparable measures calculated and reported in accordance with U.S. GAAP for the three and twelve month periods ended October 31, 2024 and October 31, 2023:

	Three Months Ended		Twelve Months Ended	
	October 31, 2024	October 31, 2023	October 31, 2024	October 31, 2023
Earnings before income taxes	\$ 109.3	\$ 86.9	\$ 512.8	\$ 400.5
Acquisition-related costs ¹	—	—	—	0.4
Restructuring charges ²	—	5.0	—	5.0
Productivity initiative ³	8.2	—	23.1	—
Non-cash impairment charges ⁴	—	—	—	151.3
Adjusted earnings before income taxes	\$ 117.5	\$ 91.9	\$ 535.9	\$ 557.2
Income tax provision	\$ 19.4	\$ 16.6	\$ 93.9	\$ 70.8
Restructuring charges ²	—	1.1	—	1.1
Productivity initiative ³	0.4	—	3.3	—
Non-cash impairment charges ⁴	—	—	—	36.7
Tax impact of stock-based compensation ⁵	—	0.1	3.5	5.1
Adjusted income tax provision	\$ 19.8	\$ 17.8	\$ 100.7	\$ 113.7
Net earnings	\$ 89.9	\$ 70.3	\$ 418.9	\$ 329.7
Acquisition-related costs ¹	—	—	—	0.4
Restructuring charges ²	—	3.9	—	3.9
Productivity initiative ³	7.8	—	19.8	—
Non-cash impairment charges ⁴	—	—	—	114.6
Tax impact of stock-based compensation ⁵	—	(0.1)	(3.5)	(5.1)
Adjusted net earnings	\$ 97.7	\$ 74.1	\$ 435.2	\$ 443.5

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 the related earnings call to the most directly comparable measures calculated and reported in accordance with U.S. GAAP for the three and twelve month periods ended October 31, 2024 and October 31, 2023:

	Three Months Ended		Twelve Months Ended	
	October 31, 2024	October 31, 2023	October 31, 2024	October 31, 2023
Diluted EPS	\$ 0.87	\$ 0.67	\$ 4.01	\$ 3.13
Restructuring charges ²	—	0.04	—	0.04
Productivity initiative ³	0.08	—	0.19	—
Non-cash impairment charges ⁴	—	—	—	1.09
Tax impact of stock-based compensation ⁵	—	—	(0.03)	(0.05)
Adjusted diluted EPS	\$ 0.95	\$ 0.71	\$ 4.17	\$ 4.21
Effective tax rate	17.7 %	19.1 %	18.3 %	17.7 %
Restructuring charges ²	— %	0.1 %	— %	— %
Productivity initiative ³	(0.9)%	— %	(0.2)%	— %
Non-cash impairment charges ⁴	— %	— %	— %	1.5 %
Tax impact of stock-based compensation ⁵	0.1 %	0.1 %	0.7 %	1.2 %
Adjusted effective tax rate	16.9 %	19.3 %	18.8 %	20.4 %

¹ On January 13, 2022, the company completed the acquisition of Intimidator Group. Acquisition-related costs for the fiscal year ended October 31, 2023 represent integration costs incurred in connection with the acquisition.

² In the fourth quarter of fiscal 2023, the company initiated a restructuring program which was completed in the first quarter of fiscal 2024. The restructuring charges associated with the program for three and twelve month periods ended October 31, 2023 represent accrued severance, termination benefits, and other exit-related expenses.

³ In the first quarter of fiscal 2024, the company launched a significant productivity initiative named AMP. Productivity initiative charges for the three and twelve month periods ended October 31, 2024 represent asset write-offs, third-party consulting costs, product-line exit costs, and compensation for fully-dedicated AMP personal, partially offset by a gain on divestiture.

⁴ At the end of the third quarter of fiscal 2023, the company recorded non-cash impairment charges within its Professional reportable segment.

⁵ 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 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 and twelve month periods ended October 31, 2024 and October 31, 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 twelve month periods ended October 31, 2024 and October 31, 2023:

(Dollars in millions)	Twelve Months Ended	
	October 31, 2024	October 31, 2023
Net cash provided by operating activities	\$ 569.9	\$ 306.8
Less: Purchases of property, plant, and equipment, net of proceeds from insurance claim	99.2	142.4
Free cash flow	470.7	164.4
Net earnings	\$ 418.9	\$ 329.7
Free cash flow conversion percentage	112.4 %	49.9 %

Gross Debt to EBITDA Ratio

(\$ millions)	Q1 24	Q2 24	Q3 24	Q4 24	Total
Gross Debt	\$1,186.6	\$1,016.8	\$991.9	\$921.8	\$921.8
Earnings Before Income Taxes	\$80.1	\$179.2	\$144.2	\$109.3	\$512.8
Interest Expense	\$16.2	\$16.7	\$14.5	\$14.5	\$61.9
Depreciation and Amortization	\$30.7	\$30.2	\$30.9	\$36.4	\$128.2
EBITDA	\$127.0	\$226.1	\$189.6	\$160.2	\$702.9
Leverage Ratio					1.3x