

# THE TORO COMPANY

## Investor Presentation

September 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".



# OVERVIEW

## **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

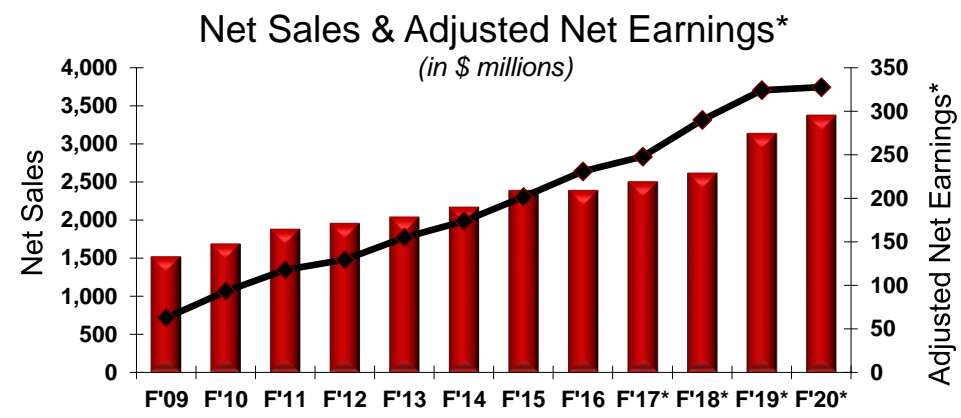


# INVESTMENT SUMMARY

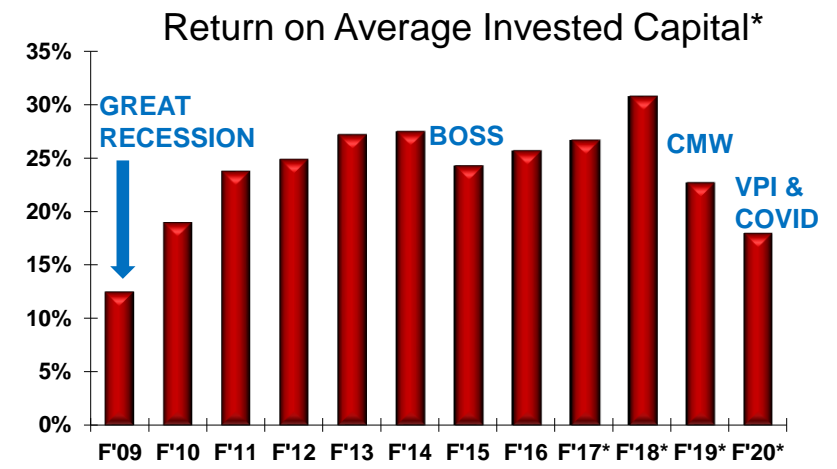
## (NYSE: TTC)

### TTC is a Market Leader With:

- Rich History and Deep Expertise in Solutions for Outdoor Environments
- Best in Class Distribution & Customer Care Networks
- Innovation & Brand Leadership
- Strong Financial Performance
- Effective Capital Allocation



**FINANCIALS: Consistent sales and earnings growth over time**



**ROIC: Sustained return well in excess of cost of capital**

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



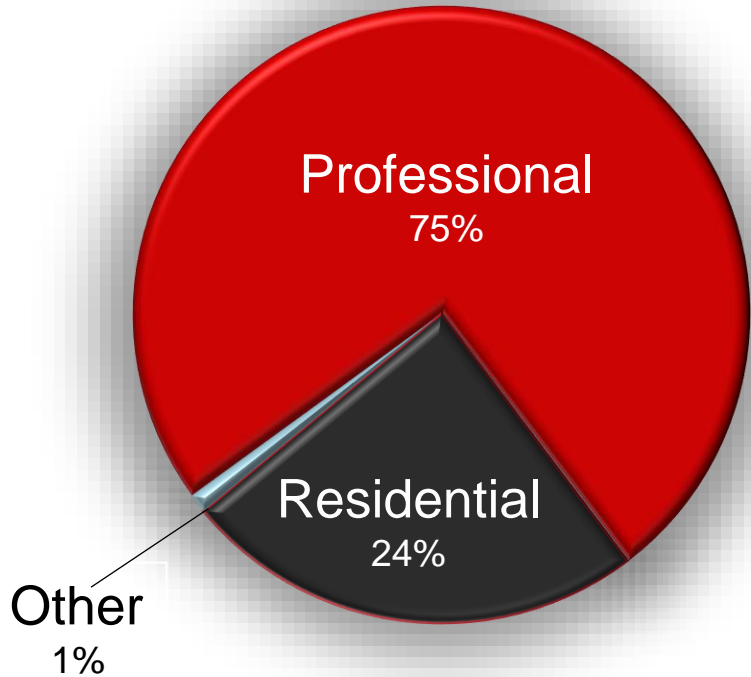
# SEGMENT INFORMATION



# DIVERSE PORTFOLIO

F'20 NET SALES = \$3.4 BILLION

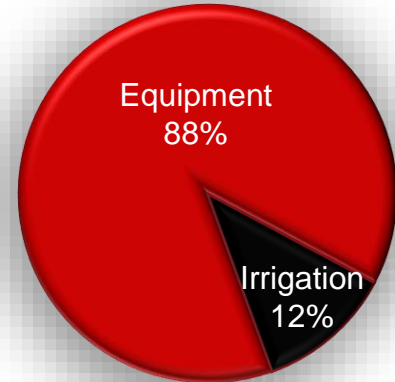
## Segments



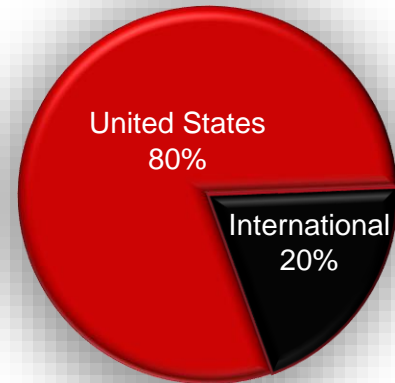
**Professional**  
F'20 Net Sales: \$2.52 billion  
F'20 Segment Earnings: 16.9%

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

## Product Type



## Geographic Market

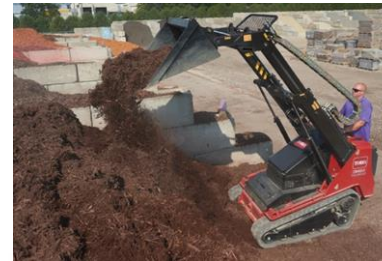




# PROFESSIONAL SEGMENT

## Rental, Specialty & Underground Construction

- Strong brands and product portfolio
- Global network of dealers & 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

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



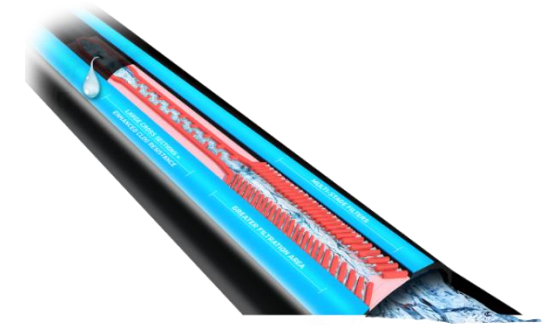
- Market leader, both turf & irrigation
- TTC Advantage
  - Innovation, performance and ability to provide comprehensive solutions drives share gain & margin expansion
  - Best-in-class network of distributors; deep relationships & superior customer care



## Micro-Irrigation



- Fundamentals & Opportunities
  - Efficient water use & increasing demand for food production
  - Increase yields & reduce resource use (e.g., water, energy, fertilizer)
- TTC Advantage
  - Product quality & innovation - Blue Stripe®, 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



- Full suite of innovative products for all seasons, including walk-behind & zero-turn riding mowers, snow throwers, handheld maintenance products

### TTC Advantage

- Powerful brands
- Leadership in innovation, quality & durability
- Strong home center relationships & dealer network
- Strength in OPE provides an advantage in the move to battery





# BENEFITS OF COMPLEMENTARY BUSINESSES

Irrigation

## Water-Saving Solutions

We all play a part in protecting our water resources. Toro's many advanced irrigation technologies help you water more efficiently, while still getting those great results you desire.



Innovation  
Transference

**Professional**




**The industry's first and only fairway mower with a true hybrid drive system.**

Production  
Optimization

**Residential**

**60<sup>MAX</sup> V** | **FLEX-FORCE**  
POWER SYSTEM<sup>®</sup> | **35<sup>+</sup> TOOLS**  
AND COUNTING



**TORO 60V FLEX-FORCE POWER SYSTEM<sup>®</sup>**  
One powerful battery system where every battery, charger, and tool work together. Finish everything without sacrificing anything.

Bolsters Brand  
Recognition



**WHAT ELSE MAKES TTC  
SPECIAL?**



# 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

# 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

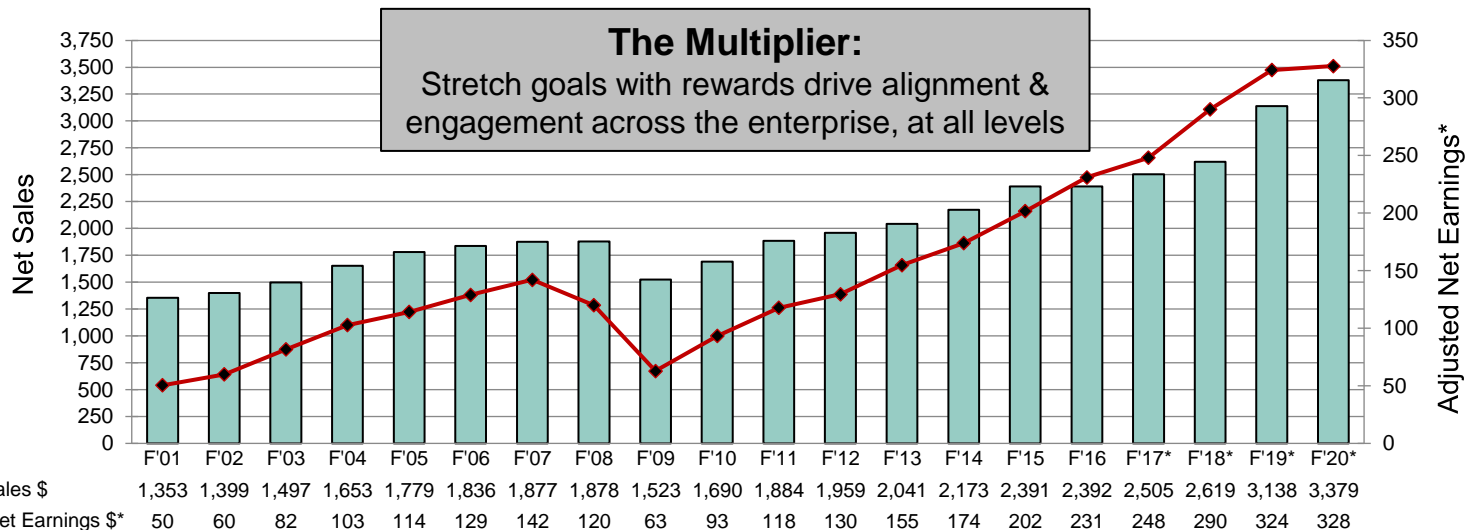
F'20

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



F'21

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



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

# PRIORITIZING INVESTMENTS IN GROWTH

## STRONG BALANCE SHEET & CASH FLOW PROVIDES FINANCIAL FLEXIBILITY

- Leadership Through Innovation**

- Sustained 3%+ investment in research & engineering
- Passion to address customers unmet needs
- Drives market share gains & margin expansion

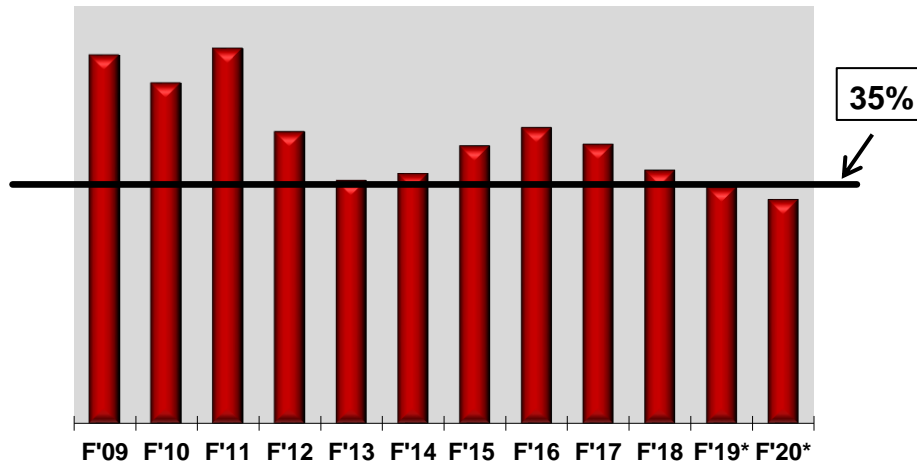


- Strategic Acquisitions**

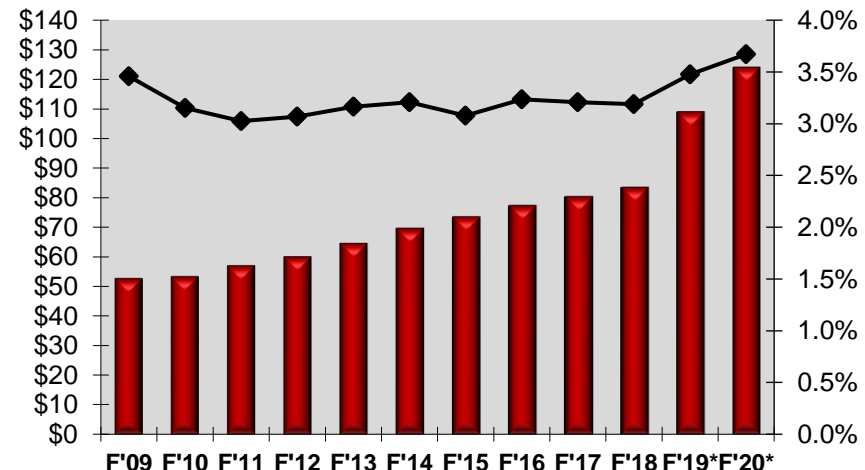
- Bias for Professional, Global, Water, Technology
- Seeking platforms for sustainable, long-term growth; adjacencies to core businesses
- Disciplined process – right opportunity **and** price



Vitality Index\*\*



R&E Investment and % of Net Sales



(\$ in Millions)

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

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



# **MOST RECENT FINANCIAL INFORMATION**

# THIRD-QUARTER FISCAL 2021 RESULTS

(RELEASED SEPTEMBER 2, 2021)

	AS REPORTED		AS ADJUSTED*	
	F'21 Q3	Change from F'20 Q3	F'21 Q3	Change from F'20 Q3
<b>Net Sales</b>	\$976.8M	+16.2%		
<b>Gross Profit (\$)</b>	\$331.1M	+12.4%	\$331.1M	+12.0%
<b>Gross Margin (% of Net Sales)</b>	33.9%	-110 bps	33.9%	-130 bps
<b>Operating Earnings (\$)</b>	\$121.9M	+5.2%	\$127.7M	+9.0%
<b>Op Earnings (% of Net Sales)</b>	12.5%	-130 bps	13.1%	-80 bps
<b>Earnings Before Income Taxes</b>	\$117.5M	+5.8%	\$123.2M	+9.8%
<b>Net Earnings</b>	\$96.3M	+8.3%	\$99.4M	+12.1%
<b>Diluted EPS</b>	\$0.89	+8.5%	\$0.92	+12.2%

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



# YEAR-TO-DATE FISCAL 2021 RESULTS

(RELEASED SEPTEMBER 2, 2021)

	AS REPORTED		AS ADJUSTED*	
	F'21 YTD	Change from F'20 YTD	F'21 YTD	Change from F'20 YTD
<b>Net Sales</b>	\$2.999B	+18.2%		
<b>Gross Profit (\$)</b>	\$1.049B	+18.0%	\$1.049B	+17.3%
<b>Gross Margin (% of Net Sales)</b>	35.0%	+0 bps	35.0%	-20 bps
<b>Operating Earnings (\$)</b>	\$444.1M	+33.4%	\$432.8M	+27.3%
<b>Op Earnings (% of Net Sales)</b>	14.8%	+170 bps	14.4%	+100 bps
<b>Earnings Before Income Taxes</b>	\$430.5M	+35.2%	\$419.2M	+28.8%
<b>Net Earnings</b>	\$349.8M	+35.8%	\$333.0M	+28.8%
<b>Diluted EPS</b>	\$3.21	+35.4%	\$3.06	+28.6%

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

# FULL-YEAR FISCAL 2021 GUIDANCE

## (AS OF SEPTEMBER 2, 2021)

<b>Net Sales Growth (%)</b>	About 17%
<b>Adjusted Operating Earnings Margin* (%)</b>	Similar compared to Fiscal 2020
<b>Adjusted Diluted EPS* (\$)</b>	\$3.53 to \$3.57
<b>Capital Expenditures (\$)</b>	About \$130 million
<b>Depreciation &amp; Amortization (\$)</b>	About \$95 million
<b>Interest Expense (\$)</b>	About \$29 million
<b>Adjusted Effective Tax Rate* (%)</b>	Similar compared to Fiscal 2020
<b>Free Cash Flow (“FCF”) Conversion* (%)**</b>	90% to 100%

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

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



# **ADDITIONAL FINANCIAL INFORMATION**

# EFFECTIVE CAPITAL DEPLOYMENT

Cash From Operations

▪ *Free Cash Flow\* to Approximate Net Earnings Over Time*

Operating and Growth Needs

- Internal Productive Assets
- Acquisitions & Alliances

▪ *Target Gross Debt-to-EBITDA Ratio of 1-2x*

Return to Shareholders / Debt Repayment

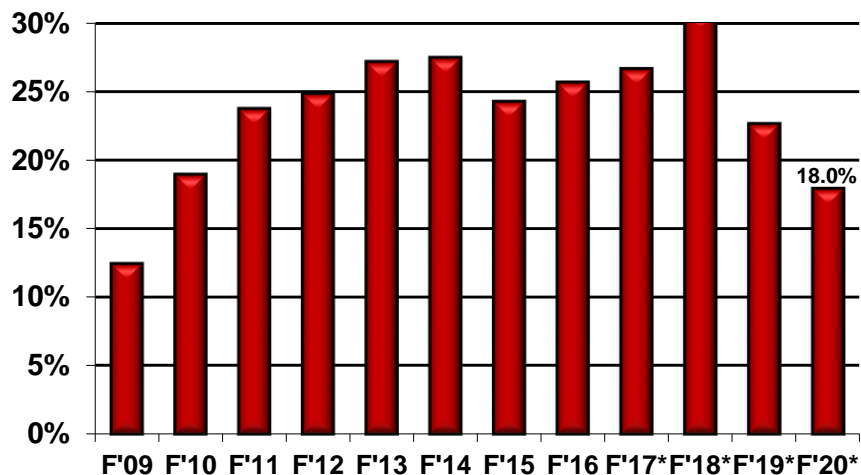
- Regular Dividends (30-40% of 3-Yr Average Reported EPS)
- Debt Repayment / Share Repurchases

(\$ 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	\$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>

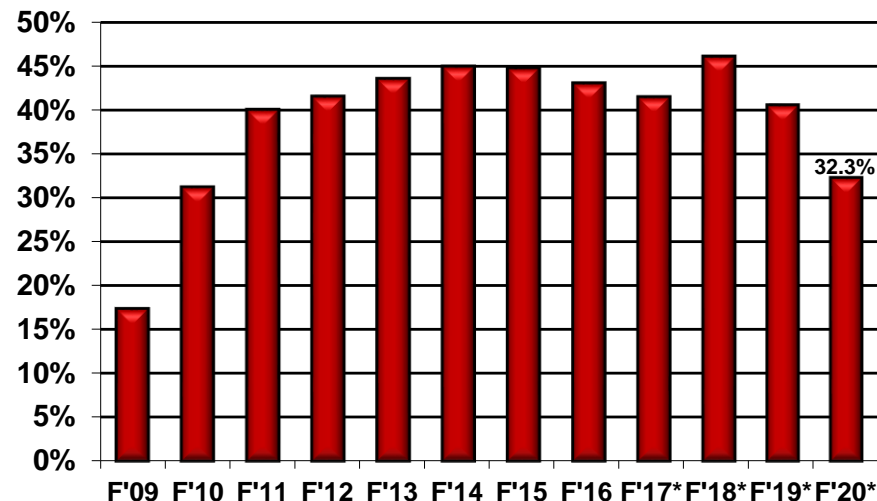
\*Non-GAAP Measure: refer to the Appendix of this presentation for additional information and reconciliation

# IMPRESSIVE RETURNS BASED ON KEY PERFORMANCE MEASURES

Return on Average Invested Capital (%)\*



Return on Average Equity (%)\*



## Strong and Consistent Cash Flow Generation

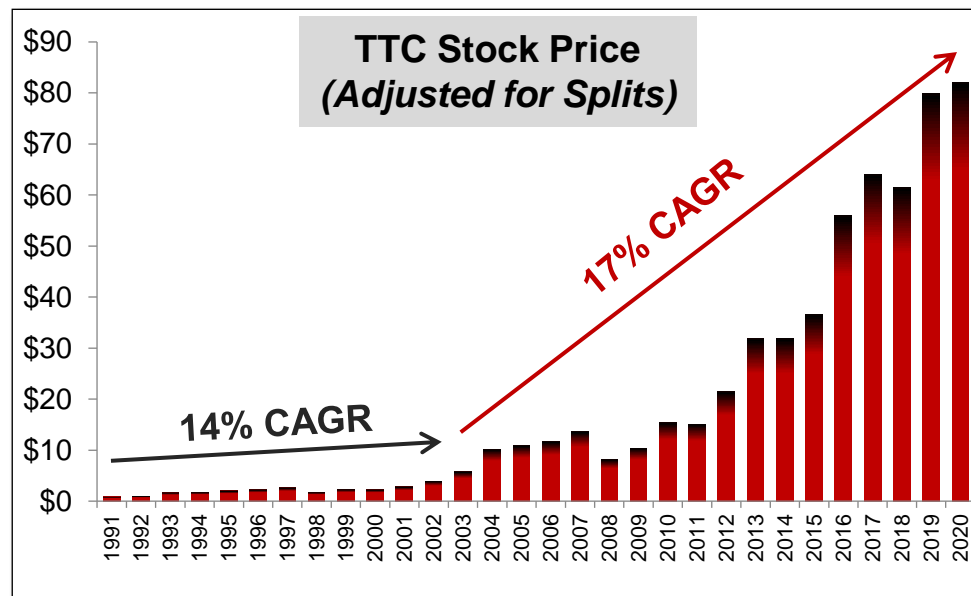
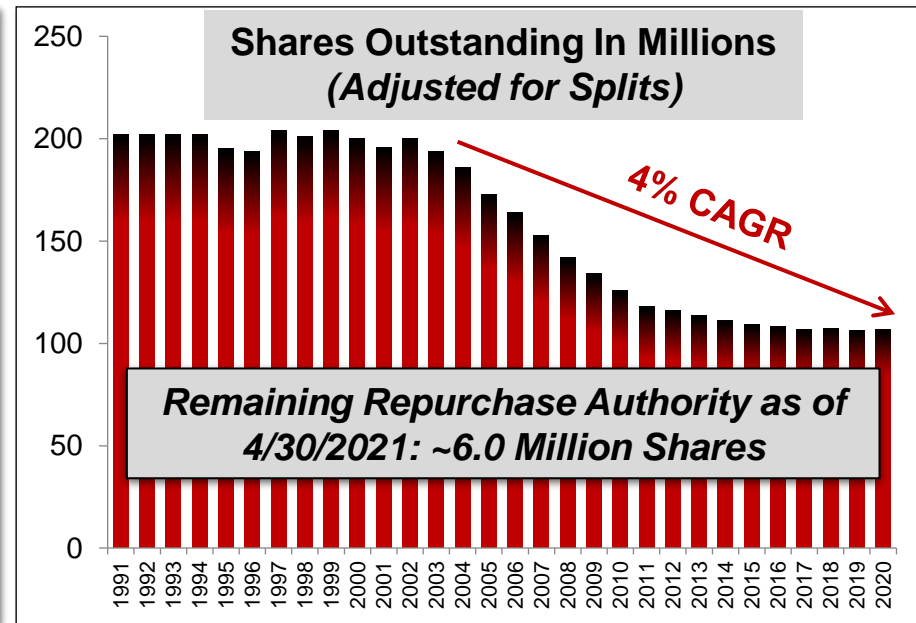
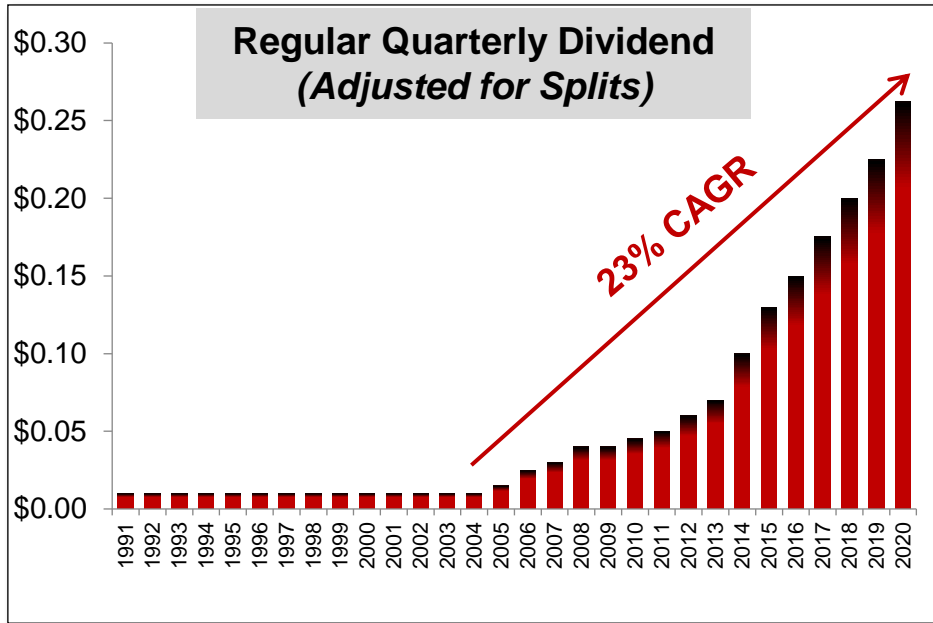
(\$ in millions)	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16	F'17	F'18	F'19	F'20
Operating Cash Flow	\$251.5	\$193.2	\$119.9	\$199.9	\$234.4	\$196.9	\$249.6	\$384.3	\$360.7	\$364.8	\$337.4	\$539.4
Capital Expenditures	(\$37.9)	(\$48.7)	(\$57.4)	(\$43.2)	(\$49.4)	(\$71.1)	(\$56.4)	(\$50.7)	(\$58.3)	(\$90.1)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

\*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 OVER TIME



# LOOKING FORWARD

## Building on a Solid Foundation

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



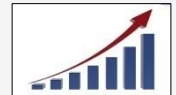
## Leveraging a High Value Business Model

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



## Driving Growth and Profitability

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







*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 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 the non-GAAP measures provides useful information to investors and that these measures may assist investors in evaluating our core operational performance and cash flows.
- 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>

**Adjusted Operating Earnings\*(1-Adjusted Effective Tax Rate)**  
Avg. Quarterly Capital Utilized = 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>

**Adjusted Net Earnings**  
Avg. Quarterly Equity = 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*

# THIRD-QUARTER FISCAL 2021

## RECONCILIATION OF NON-GAAP PERFORMANCE MEASURES

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- and nine-month periods ended July 30, 2021, and July 31, 2020:

	Three Months Ended		Nine Months Ended	
	July 30, 2021	July 31, 2020	July 30, 2021	July 31, 2020
Gross profit	\$ 331,117	\$ 294,574	\$ 1,049,106	\$ 889,379
Acquisition-related costs <sup>2</sup>	—	1,087	—	3,950
Management actions <sup>3</sup>	—	—	—	857
Non-GAAP gross profit	\$ 331,117	\$ 295,661	\$ 1,049,106	\$ 894,186
Gross margin	33.9 %	35.0 %	35.0 %	35.0 %
Acquisition-related costs <sup>2</sup>	— %	0.2 %	— %	0.2 %
Non-GAAP gross margin	33.9 %	35.2 %	35.0 %	35.2 %
Operating earnings	\$ 121,939	\$ 115,952	\$ 444,120	\$ 332,876
Litigation settlements, net <sup>1</sup>	5,750	—	(11,325)	—
Acquisition-related costs <sup>2</sup>	—	1,161	—	6,183
Management actions <sup>3</sup>	—	—	—	857
Non-GAAP operating earnings	\$ 127,689	\$ 117,113	\$ 432,795	\$ 339,916
Earnings before income taxes	\$ 117,451	\$ 110,993	\$ 430,520	\$ 318,503
Litigation settlements, net <sup>1</sup>	5,750	—	(11,325)	—
Acquisition-related costs <sup>2</sup>	—	1,161	—	6,183
Management actions <sup>3</sup>	—	—	—	857
Non-GAAP earnings before income taxes	\$ 123,201	\$ 112,154	\$ 419,195	\$ 325,543
Net earnings	\$ 96,320	\$ 88,968	\$ 349,772	\$ 257,505
Litigation settlements, net <sup>1</sup>	4,525	—	(8,947)	—
Acquisition-related costs <sup>2</sup>	—	924	—	4,922
Management actions <sup>3</sup>	—	—	—	682
Tax impact of stock-based compensation <sup>4</sup>	(1,397)	(1,173)	(7,846)	(4,550)
Non-GAAP net earnings	\$ 99,448	\$ 88,719	\$ 332,979	\$ 258,559



# THIRD-QUARTER FISCAL 2021 NON-GAAP RECONCILIATIONS (CONTINUED)

	Three Months Ended		Nine Months Ended	
	July 30, 2021	July 31, 2020	July 30, 2021	July 31, 2020
Diluted EPS	\$ 0.89	\$ 0.82	\$ 3.21	\$ 2.37
Litigation settlements, net <sup>1</sup>	0.04	—	(0.08)	—
Acquisition-related costs <sup>2</sup>	—	0.01	—	0.05
Tax impact of stock-based compensation <sup>4</sup>	(0.01)	(0.01)	(0.07)	(0.04)
<b>Non-GAAP diluted EPS</b>	<b>\$ 0.92</b>	<b>\$ 0.82</b>	<b>\$ 3.06</b>	<b>\$ 2.38</b>
Effective tax rate	18.0 %	19.8 %	18.8 %	19.2 %
Tax impact of stock-based compensation <sup>4</sup>	1.3 %	1.1 %	1.8 %	1.4 %
<b>Non-GAAP effective tax rate</b>	<b>19.3 %</b>	<b>20.9 %</b>	<b>20.6 %</b>	<b>20.6 %</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 first quarter of fiscal 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, the company 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 the company's external legal counsel customary in patent infringement cases equal to approximately 50 percent of the Settlement Amount. Additionally, during the third quarter of fiscal 2021, the company recorded a charge related to a legal settlement for a series of ongoing patent infringement disputes within selling, general and administrative expense in the Condensed Consolidated Statements of Earnings. Accordingly, litigation settlements, net represents the charge incurred for the settlement of the patent infringement disputes for the three month period ended July 30, 2021. Litigation settlements, net for the nine month period ended July 30, 2021 represents the net amount recorded for the settlement of the Infringement Action, as well as the charge incurred for the settlement of the patent infringement disputes.

<sup>2</sup> On March 2, 2020, the company completed the acquisition of Venture Products, Inc. ("Venture Products") and on April 1, 2019, the company completed the acquisition of The Charles Machine Works, Inc. ("CMW"). Acquisition-related costs for the three month period ended July 31, 2020 represent integration costs and charges incurred for the take-down of the inventory fair value step-up amount resulting from purchase accounting adjustments related to the acquisition of Venture Products. Acquisition-related costs for the nine month period ended July 31, 2020 represent transaction costs incurred for the company's 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 the acquisitions of Venture Products and CMW. No acquisition-related costs were incurred during the three and nine month periods ended July 30, 2021.

<sup>3</sup> During the third quarter of fiscal 2019, the company announced the wind down of its Toro-branded large horizontal directional drill and riding trencher product line ("Toro underground wind down"). Management actions represent inventory write-down charges incurred during the nine month period ended July 31, 2020 for the Toro underground wind down. No charges were incurred for the Toro underground wind down for three month period ended July 31, 2020 and the three and nine month periods ended July 30, 2021.

<sup>4</sup> 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 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 stock-based compensation during the three and nine month periods ended July 30, 2021 and July 31, 2020.

## THIRD-QUARTER FISCAL 2021 RECONCILIATION OF NON-GAAP LIQUIDITY MEASURES

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 nine-month periods ended July 30, 2021, and July 31, 2020:

(Dollars in thousands)	Nine Months Ended	
	July 30, 2021	July 31, 2020
Net cash provided by operating activities	\$ 477,135	\$ 305,876
Less: Purchases of property, plant and equipment	47,961	46,627
Non-GAAP free cash flow	429,174	259,249
Net earnings	\$ 349,772	\$ 257,505
Non-GAAP free cash flow conversion percentage	122.7 %	100.7 %

# MANUFACTURING LOCATIONS

