

The TORO logo is a red rounded rectangle with the word "TORO" in white, serif, all-caps font.A large orange and black tracked trencher with "Ditch Witch" written on its side. It is positioned on a grassy area with a brick building in the background. A worker in a high-visibility vest is operating it from the rear. Another worker is visible in the distance. The scene is set outdoors on a clear day with some autumn foliage.

# THE TORO COMPANY

Q2 2023 EARNINGS RELEASE

June 8, 2023



# 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 2023 financial guidance. 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, including inflationary pressures; disruption at or in proximity to our facilities, those of our distribution channel customers, mass retailers or home centers where our products are sold, or suppliers; fluctuations in the cost or availability of commodities, components, parts and accessories; the effect of abnormal weather patterns; the level of growth or contraction in our key markets; 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".

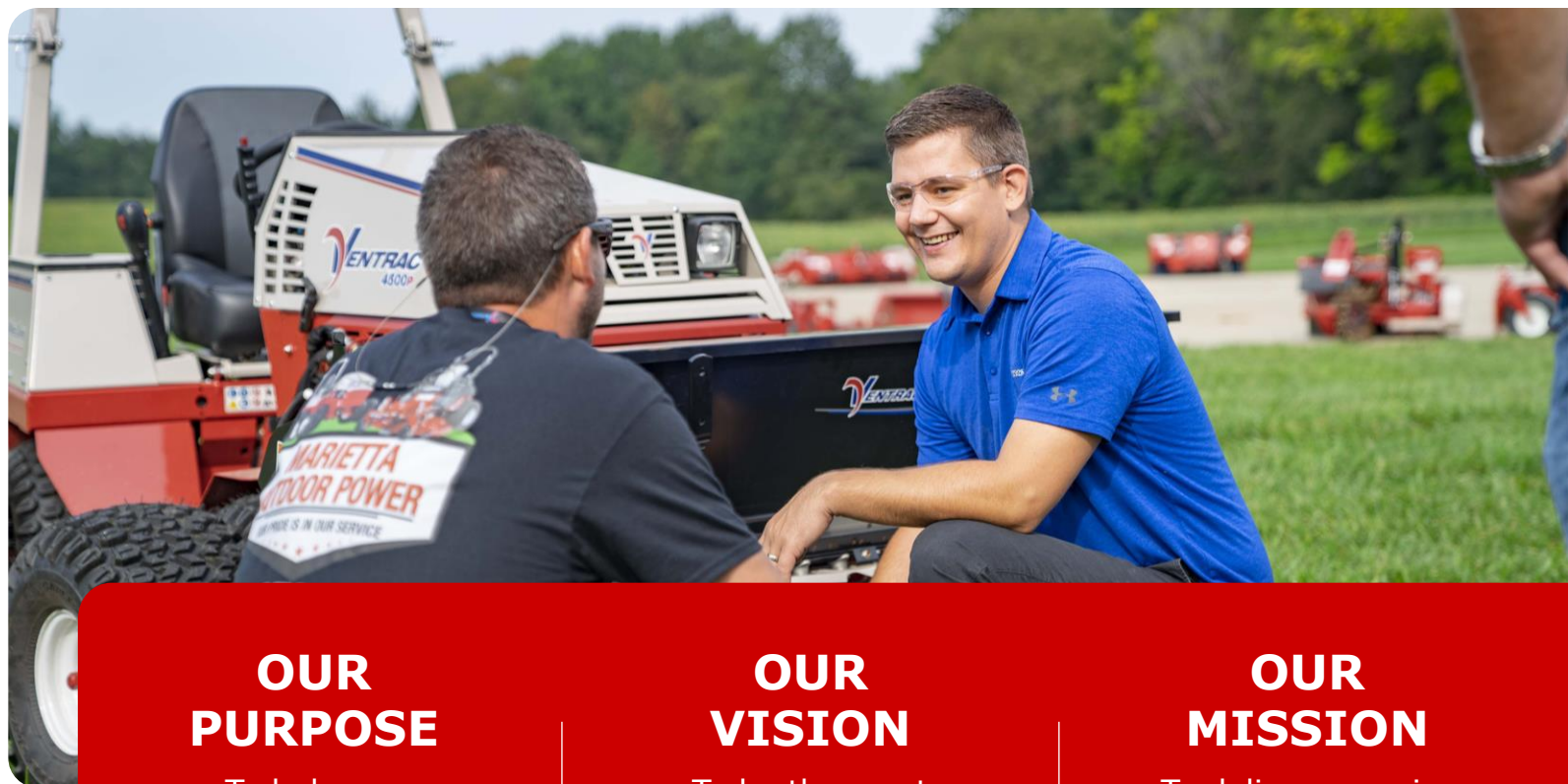
*All financial results contained within this presentation are based on fiscal quarter ending May 5 figures*



# 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.





# Q2 2023 Key Messages

1

Delivered record top and bottom-line growth, driven by strong Professional segment performance and continued production improvements

2

Professional segment achieved broad-based volume gains and increased profitability, driven by continued demand, steady supply chain improvements, and operational execution, with notable strength for construction and golf and grounds products

3

Residential segment sales volumes and profitability were pressured by unfavorable weather patterns and macroeconomic factors -- but with the strength of a diversified portfolio, growing scale, and disciplined team, the company drove record results overall

4

Narrowed full-year fiscal 2023 guidance ranges, and now expect net sales growth of 7% to 8% and \*adjusted diluted EPS of \$4.70 to \$4.80 per diluted share



# Q2 2023 Financial Highlights

(Year-over-year comparisons below)

**+7.2%**

NET SALES  
GROWTH

Driven primarily by higher shipments of products broadly across the Professional segment and net price realization, partially offset by lower shipments in the Residential segment

**+340 bps**

GROSS MARGIN

Driven primarily by net price realization, favorable product mix, and productivity improvements, partially offset by higher material and manufacturing costs

**+250 bps**

ADJUSTED OPERATING  
EARNINGS MARGIN\*

In addition to gross margin improvement, we benefitted from net sales leverage, partially offset by higher marketing expense

**A record second quarter performance**

# Q2 2023 Other Notable Highlights



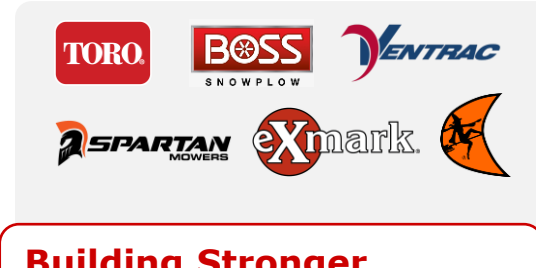
## Ever-Expanding Flex-Force 60V Lineup

Two of our 60V products were recognized by Popular Mechanics' as best new lawn products of 2023



## Long-Standing Market Leader in Golf

Selected as a turf partner for Bay Hill Club & Lodge and Latrobe Country Club, two courses connected to the legendary Arnold Palmer



## Building Stronger Communities

Extended commitment to the National Recreation and Park Association Business Council, as we strive to solve common challenges together in a way that enhances the quality of life for all

## 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



# Financials



# Q2 2023 Consolidated Results

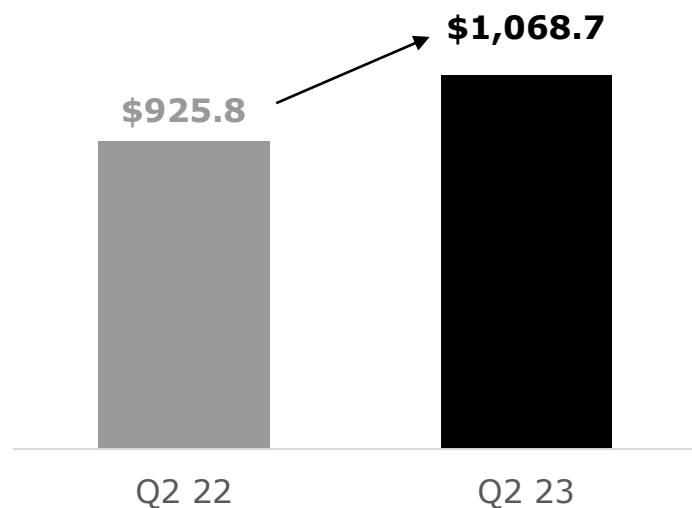
**Strong Professional Segment Performance and Continued Production Improvements**

	REPORTED			ADJUSTED*		
	Q2 23	Q2 22	Change from Q2 22	Q2 23	Q2 22	Change from Q2 22
<b>Net Sales</b>	<b>\$1,339.3M</b>	<b>\$1,249.5M</b>	<b>+7.2%</b>	<b>\$1,339.3M</b>	<b>\$1,249.5M</b>	<b>+7.2%</b>
Gross Profit (\$)	\$479.7M	\$405.4M	+18.3%	\$479.7M	\$406.4M	+18.0%
Gross Margin (% of Net Sales)	35.8%	32.4%	+340 bps	35.8%	32.5%	+ 330 bps
<b>Operating Earnings (\$)</b>	<b>\$218.8M</b>	<b>\$170.6M</b>	<b>+28.3%</b>	<b>\$218.8M</b>	<b>\$172.3M</b>	<b>+27.0%</b>
<b>Operating Earnings Margin (% of Net Sales)</b>	<b>16.3%</b>	<b>13.7%</b>	<b>+270 bps</b>	<b>16.3%</b>	<b>13.8%</b>	<b>+260 bps</b>
Earnings Before Income Taxes	\$210.8M	\$165.1M	+27.7%	\$210.8M	\$166.8M	+26.4%
Net Earnings	\$167.5M	\$131.1M	+27.7%	\$166.4M	\$132.1M	+25.9%
Diluted EPS	\$1.59	\$1.24	+28.2%	\$1.58	\$1.25	+26.4%

# Professional Segment Results

## NET SALES (in millions)

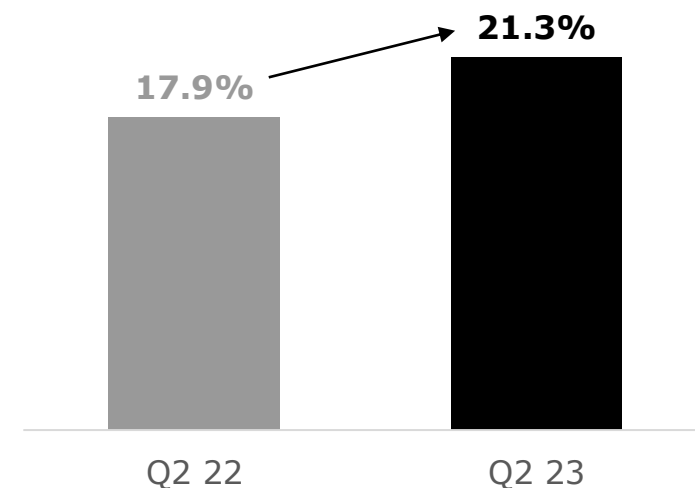
**+15.4%**



**Increase** was primarily driven by **higher shipments** of products broadly across the segment, with notable strength for construction, and golf and grounds products, and **net price realization**

## SEGMENT EARNINGS RATE (as a percentage of net sales)

**+340 bps**

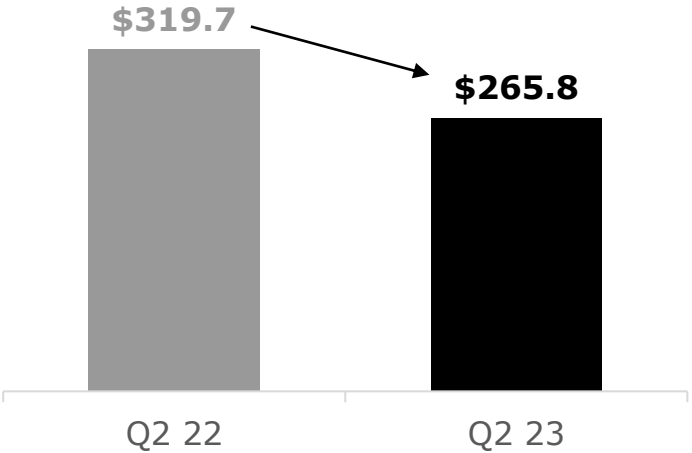


**Increase** was primarily due to **net price realization, favorable product mix, productivity improvements, and net sales leverage**, partially offset by **higher material and manufacturing costs**

# Residential Segment Results

## NET SALES (in millions)

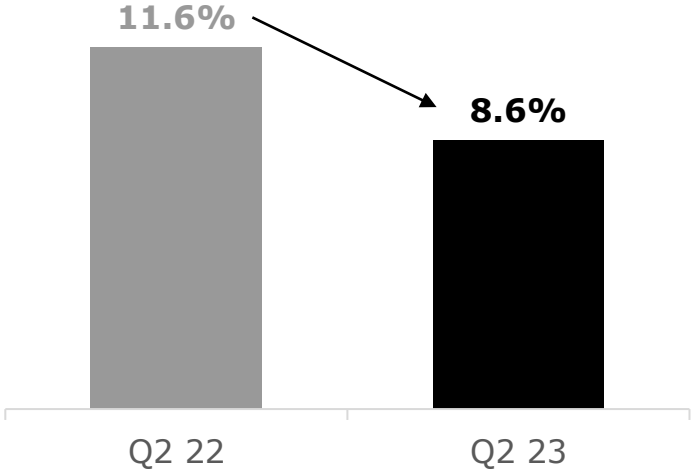
**(16.8%)**



**Decrease** was primarily driven by **lower shipments** of products broadly across the segment, partially offset by **net price realization**

## SEGMENT EARNINGS RATE (as a percentage of net sales)

**(300 bps)**

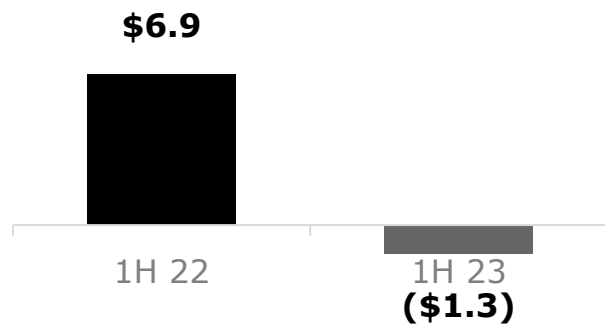


**Decrease** was primarily driven by **lower sales volume**, **higher marketing expense**, and **higher manufacturing costs**, partially offset by **net price realization**, and **lower freight costs**

# Strong Balance Sheet and Resilient Free Cash Flow

## Free Cash Flow\* (Six months ended)

In millions



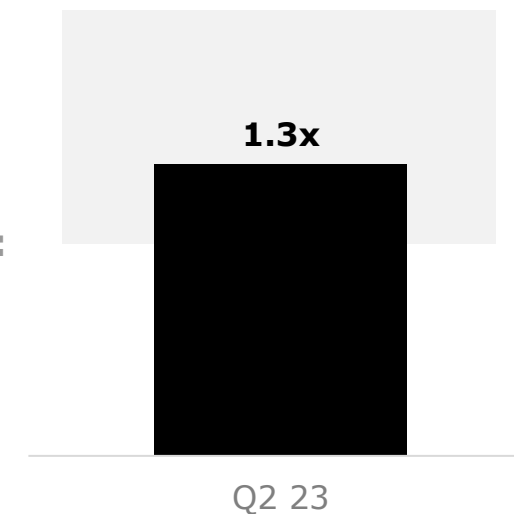
## Free Cash Flow Conversion\* (Six months ended)

Goal:  
100%  
over  
time



## Gross Debt to EBITDA Ratio\*

Target  
Range:  
1.0x-  
2.0x



Free cash flow was a use of cash year-to-date, primarily driven by seasonal working capital needs. This also reflects the timing of capital expenditures, with \$63M spent year-to-date compared to \$36M in the same period last year.

# Effective Capital Deployment

## Consistent Strategy

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

## 1H 2023 Comments

Invested \$63M to fund new product investments, advanced manufacturing technologies, and capacity for growth

Celebrated one-year anniversary of The Intimidator Group acquisition in Q1 – this acquisition strengthens our position in attractive zero-turn mower market

Returned \$71.1M to shareholders via regular dividends, representing a payout increase of 13% year-over-year

Returned \$24.3M to shareholders via share repurchases

**Disciplined capital allocation drives value for all stakeholders**

# Updated Fiscal 2023 Guidance



	Guidance 3/9/23	Guidance 6/8/23
Net Sales Growth (%)	7% to 10%	<b>7% to 8%</b>
Adjusted Operating Earnings Margin* (%)	Higher than Fiscal 2022	Higher than Fiscal 2022
Adjusted Diluted EPS* (\$)	\$4.70 to \$4.90	<b>\$4.70 to \$4.80</b>
Capital Expenditures (\$)	\$150M to \$175M	<b>~\$150M</b>
Depreciation & Amortization (\$)	~\$130M	<b>\$125M to \$130M</b>
Interest Expense	~\$55M	<b>~\$57M</b>
Adjusted Effective Tax Rate* (%)	~21%	~21%
Free Cash Flow (FCF) Conversion** (%)	~100%	<b>90% to 100%</b>



# 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** Favorable macro factors, steady replacement cycle and customer-centric innovation 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



# APPENDIX



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

	Three Months Ended		Six Months Ended	
	May 5, 2023	April 29, 2022	May 5, 2023	April 29, 2022
Net sales	\$ 1,339,326	\$ 1,249,478	\$ 2,488,166	\$ 2,182,128
Cost of sales	859,605	844,109	1,612,521	1,476,283
Gross profit	479,721	405,369	875,645	705,845
Gross margin	35.8 %	32.4 %	35.2 %	32.3 %
Selling, general and administrative expense	260,925	234,792	520,422	443,642
Operating earnings	218,796	170,577	355,223	262,203
Interest expense	(14,711)	(8,024)	(28,835)	(15,037)
Other income, net	6,734	2,503	15,745	5,037
Earnings before income taxes	210,819	165,056	342,133	252,203
Provision for income taxes	43,354	33,931	67,808	51,568
Net earnings	\$ 167,465	\$ 131,125	\$ 274,325	\$ 200,635
Basic net earnings per share of common stock	\$ 1.60	\$ 1.25	\$ 2.62	\$ 1.91
Diluted net earnings per share of common stock	\$ 1.59	\$ 1.24	\$ 2.60	\$ 1.89
Weighted-average number of shares of common stock outstanding — Basic	104,650	104,928	104,574	104,982
Weighted-average number of shares of common stock outstanding — Diluted	105,571	105,746	105,573	105,894

**Segment Data (Unaudited)**  
**(Dollars in thousands)**

	Three Months Ended		Six Months Ended	
	May 5, 2023	April 29, 2022	May 5, 2023	April 29, 2022
<b>Segment net sales</b>				
Professional	\$ 1,068,733	\$ 925,810	\$ 1,949,393	\$ 1,598,695
Residential	265,836	319,675	530,451	575,077
Other	4,757	3,993	8,322	8,356
Total net sales*	\$ 1,339,326	\$ 1,249,478	\$ 2,488,166	\$ 2,182,128
*Includes international net sales of:	\$ 276,385	\$ 245,671	\$ 521,722	\$ 440,657

	Three Months Ended		Six Months Ended	
	May 5, 2023	April 29, 2022	May 5, 2023	April 29, 2022
<b>Segment earnings (loss) before income taxes</b>				
Professional	\$ 227,496	\$ 165,370	\$ 371,572	\$ 258,642
Residential	22,731	37,095	60,563	68,855
Other	(39,408)	(37,409)	(90,002)	(75,294)
Total segment earnings before income taxes	\$ 210,819	\$ 165,056	\$ 342,133	\$ 252,203

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

	May 5, 2023	April 29, 2022	October 31, 2022
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 151,304	\$ 263,233	\$ 188,250
Receivables, net	461,980	439,333	332,713
Inventories, net	1,127,474	891,676	1,051,109
Prepaid expenses and other current assets	86,076	69,434	103,279
<b>Total current assets</b>	<b>1,826,834</b>	<b>1,663,676</b>	<b>1,675,351</b>
Property, plant, and equipment, net	605,771	512,430	571,661
Goodwill	584,609	581,318	583,297
Other intangible assets, net	568,356	589,608	585,832
Right-of-use assets	71,856	75,533	76,121
Investment in finance affiliate	53,244	30,853	39,349
Deferred income taxes	11,348	1,908	5,310
Other assets	19,357	23,980	19,077
<b>Total assets</b>	<b>\$ 3,741,375</b>	<b>\$ 3,479,306</b>	<b>\$ 3,555,998</b>

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

	May 5, 2023	April 29, 2022	October 31, 2022
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current portion of long-term debt	\$ —	\$ 100,000	\$ —
Accounts payable	514,824	566,769	578,624
Accrued liabilities	493,264	428,230	469,242
Short-term lease liabilities	15,913	15,729	15,747
Total current liabilities	1,024,001	1,110,728	1,063,613
Long-term debt, less current portion	1,041,162	990,970	990,768
Long-term lease liabilities	57,966	63,066	63,604
Deferred income taxes	18,515	50,349	44,272
Other long-term liabilities	39,734	40,677	42,040
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	104,136	104,568	103,970
Retained earnings	1,485,046	1,146,771	1,280,856
Accumulated other comprehensive loss	(29,185)	(27,823)	(33,125)
Total stockholders' equity	1,559,997	1,223,516	1,351,701
Total liabilities and stockholders' equity	\$ 3,741,375	\$ 3,479,306	\$ 3,555,998

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

	<b>Six Months Ended</b>	
	<b>May 5, 2023</b>	<b>April 29, 2022</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 274,325	\$ 200,635
<b>Adjustments to reconcile net earnings to net cash provided by operating activities:</b>		
Non-cash income from finance affiliate	(8,674)	(3,475)
Contributions to finance affiliate, net	(5,221)	(6,707)
Depreciation of property, plant, and equipment	38,256	37,318
Amortization of other intangible assets	17,881	15,632
Stock-based compensation expense	10,748	11,133
Other	876	848
<b>Changes in operating assets and liabilities, net of the effect of acquisitions:</b>		
Receivables, net	(127,153)	(126,413)
Inventories, net	(75,539)	(122,731)
Other assets	(7,719)	(20,150)
Accounts payable	(64,642)	55,433
Other liabilities	8,501	1,341
<b>Net cash provided by operating activities</b>	<b>61,639</b>	<b>42,864</b>

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

	<b>Six Months Ended</b>	
	<b>May 5, 2023</b>	<b>April 29, 2022</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant, and equipment	(70,077)	(35,969)
Proceeds from insurance claim	7,114	—
Business combinations, net of cash acquired	—	(403,120)
Proceeds from asset disposals	309	163
<b>Net cash used in investing activities</b>	<b>(62,654)</b>	<b>(438,926)</b>
<b>Cash flows from financing activities:</b>		
Borrowings under debt arrangements	260,000	600,000
Repayments under debt arrangements	(210,000)	(200,000)
Proceeds from exercise of stock options	17,553	2,247
Payments of withholding taxes for stock awards	(2,869)	(1,850)
Purchases of TTC common stock	(24,311)	(75,000)
Dividends paid on TTC common stock	(71,090)	(62,954)
Other	(1,525)	—
<b>Net cash (used in) provided by financing activities</b>	<b>(32,242)</b>	<b>262,443</b>
Effect of exchange rates on cash and cash equivalents	(3,689)	(8,760)
<b>Net decrease in cash and cash equivalents</b>	<b>(36,946)</b>	<b>(142,379)</b>
Cash and cash equivalents as of the beginning of the fiscal period	188,250	405,612
<b>Cash and cash equivalents as of the end of the fiscal period</b>	<b>\$ 151,304</b>	<b>\$ 263,233</b>



# 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 thousands, except per-share data)**

The following table provides a reconciliation of the non-GAAP financial performance measures used in this press release and our related earnings call to the most directly comparable measures calculated and reported in accordance with U.S. GAAP for the six month periods ended May 5, 2023 and April 29, 2022:

	Three Months Ended		Six Months Ended	
	May 5, 2023	April 29, 2022	May 5, 2023	April 29, 2022
Gross profit	\$ 479,721	\$ 405,369	\$ 875,645	\$ 705,845
Acquisition-related costs <sup>1</sup>	—	1,024	225	1,024
Adjusted gross profit	\$ 479,721	\$ 406,393	\$ 875,870	\$ 706,869
Gross margin	35.8 %	32.4 %	35.2 %	32.3 %
Acquisition-related costs <sup>1</sup>	— %	0.1 %	— %	0.1 %
Adjusted gross margin	35.8 %	32.5 %	35.2 %	32.4 %
Operating earnings	\$ 218,796	\$ 170,577	\$ 355,223	\$ 262,203
Acquisition-related costs <sup>1</sup>	—	1,736	447	2,752
Adjusted operating earnings	\$ 218,796	\$ 172,313	\$ 355,670	\$ 264,955
Operating earnings margin	16.3 %	13.7 %	14.3 %	12.0 %
Acquisition-related costs <sup>1</sup>	— %	0.1 %	— %	0.1 %
Adjusted operating earnings margin	16.3 %	13.8 %	14.3 %	12.1 %
Earnings before income taxes	\$ 210,819	\$ 165,056	\$ 342,133	\$ 252,203
Acquisition-related costs <sup>1</sup>	—	1,736	447	2,752
Adjusted earnings before income taxes	\$ 210,819	\$ 166,792	\$ 342,580	\$ 254,955
Net earnings	\$ 167,465	\$ 131,125	\$ 274,325	\$ 200,635
Acquisition-related costs <sup>1</sup>	—	1,375	351	2,179
Tax impact of stock-based compensation <sup>2</sup>	(1,075)	(367)	(4,680)	(987)
Adjusted net earnings	\$ 166,390	\$ 132,133	\$ 269,996	\$ 201,827
Diluted EPS	\$ 1.59	\$ 1.24	\$ 2.60	\$ 1.89
Acquisition-related costs <sup>1</sup>	—	0.01	—	0.03
Tax impact of stock-based compensation <sup>2</sup>	(0.01)	—	(0.04)	(0.01)
Adjusted diluted EPS	\$ 1.58	\$ 1.25	\$ 2.56	\$ 1.91
Effective tax rate	20.6 %	20.6 %	19.8 %	20.4 %
Tax impact of stock-based compensation <sup>2</sup>	0.5 %	0.2 %	1.4 %	0.4 %
Adjusted effective tax rate	21.1 %	20.8 %	21.2 %	20.8 %



- <sup>1</sup> On January 13, 2022, the company completed the acquisition of Intimidator. Acquisition-related costs for the six month period ended May 5, 2023 represent integration costs. Acquisition-related costs for the three and six month periods ended April 29, 2022 represent transaction and integration costs.
- <sup>2</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, can be unpredictable and can significantly impact our 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 six month periods ended May 5, 2023 and April 29, 2022.

## 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 six month periods ended May 5, 2023 and April 29, 2022:

	Six Months Ended	
(Dollars in thousands)	May 5, 2023	April 29, 2022
Net cash provided by operating activities	\$ 61,639	\$ 42,864
Less: Purchases of property, plant and equipment, net of proceeds from insurance claim	62,963	35,969
Free cash flow	(1,324)	6,895
Net earnings	\$ 274,325	\$ 200,635
Free cash flow conversion percentage	(0.5)%	3.4 %

# Gross Debt to EBITDA Ratio

	Q3 22	Q4 22	Q1 23	Q2 23	Total
Short Term Debt	\$65,000	-	-	-	-
Long Term Debt	\$990,616	\$990,768	\$1,091,015	\$1,041,162	\$1,041,162
<b>Gross Debt</b>	<b>\$1,055,616</b>	<b>\$990,768</b>	<b>\$1,091,015</b>	<b>\$1,041,162</b>	<b>\$1,041,162</b>
<b>Earnings Before Income Taxes</b>	<b>\$157,091</b>	<b>\$143,252</b>	<b>\$131,314</b>	<b>\$210,819</b>	<b>\$642,476</b>
Interest Expense	\$9,182	\$11,519	\$14,124	\$14,711	\$49,536
Depreciation and Amortization	\$26,079	\$29,780	\$28,281	\$27,856	\$111,996
<b>EBITDA</b>	<b>\$192,352</b>	<b>\$184,551</b>	<b>\$173,719</b>	<b>\$253,386</b>	<b>\$804,008</b>
<b>Leverage Ratio</b>					<b>1.3x</b>