

THE TORO COMPANY

Investor Presentation

December 2019



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

OUR PURPOSE

To help our customers enrich the beauty, productivity and sustainability of the land.

OUR VISION

To be the most trusted leader in solutions for the outdoor environment. Every day. Everywhere.

OUR MISSION

To deliver superior innovation and to deliver superior customer care.

Help Our Customers

Most Trusted

Superior Innovation & Superior Customer Care



OUR GUIDING PRINCIPLES

The Toro Company's success is founded on a long history of caring relationships based on trust and integrity. These relationships are the foundation on which we build market leadership with the best in innovative products and solutions to make outdoor environments beautiful, productive, and sustainable. We are entrusted to strengthen this legacy of excellence.

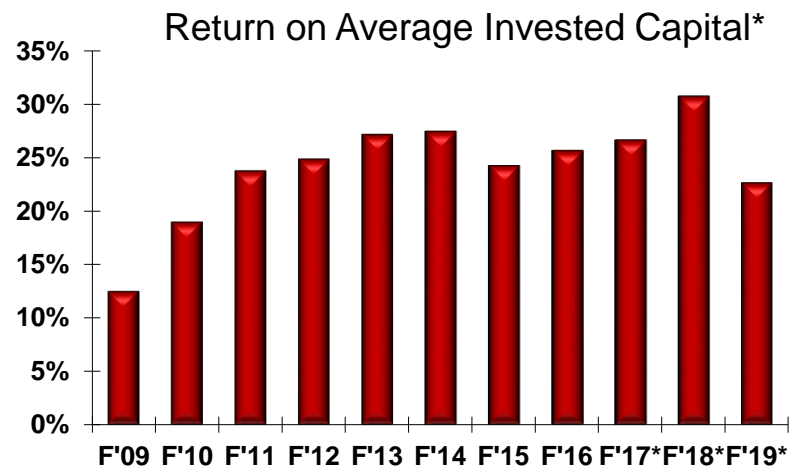
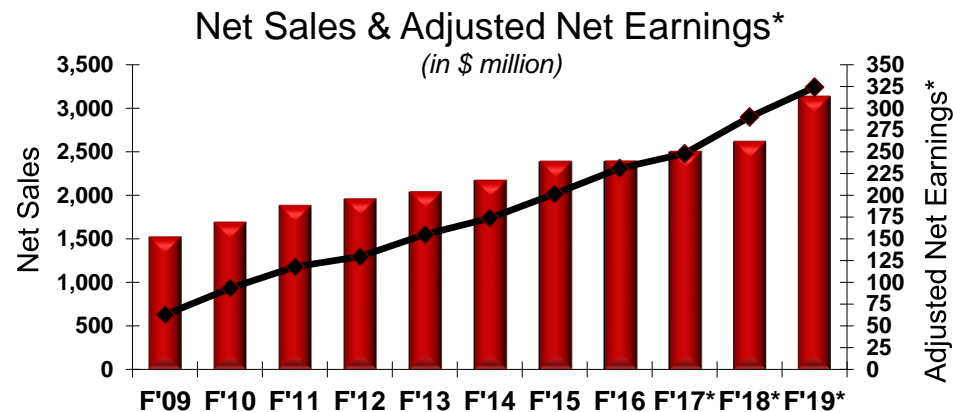
Caring Relationships

INVESTMENT SUMMARY

(NYSE: TTC)

Summary & Financial Performance

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

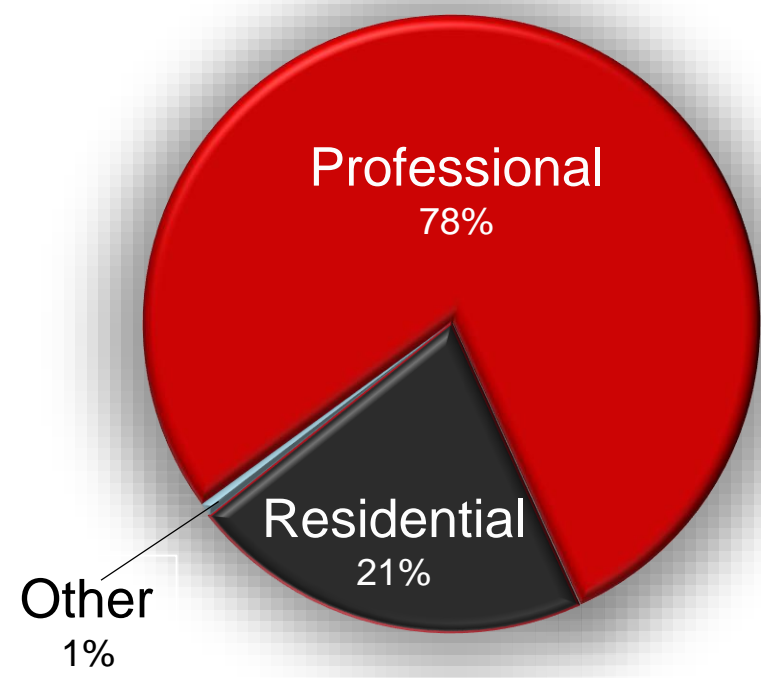


*Non-GAAP Measure: refer to the Appendix of this presentation for additional information and reconciliation

DIVERSE PORTFOLIO

F'19 REVENUES—\$3.1 BILLION

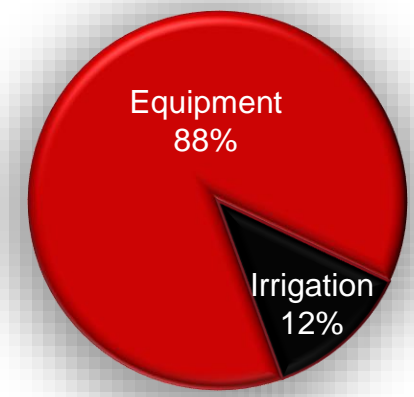
Segments



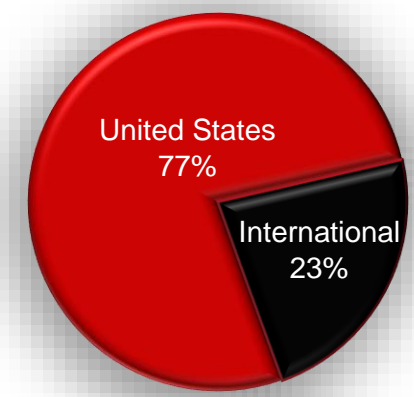
Professional
F'19 Sales: \$2,443 million
F'19 Segment Earnings: 15.6%

Residential
F'19 Sales: \$661 million
F'19 Segment Earnings: 9.9%

Product Type



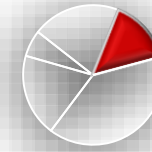
Geographic Market



PROFESSIONAL SEGMENT

Charles Machine Works

- Strong underground construction brands
- Global network of world class dealers
- Long-standing customer relationships
- Growth opportunities
 - Infrastructure (water, wastewater)
 - Telecom (fiber optics, 5G)
 - Utilities (gas, electricity)



PROFESSIONAL SEGMENT (CON'T)

Landscape and Grounds Market



Turf
Equipment

Snow & Ice
Management

Lighting &
Irrigation

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 (CON'T)

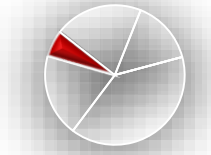
Golf Market



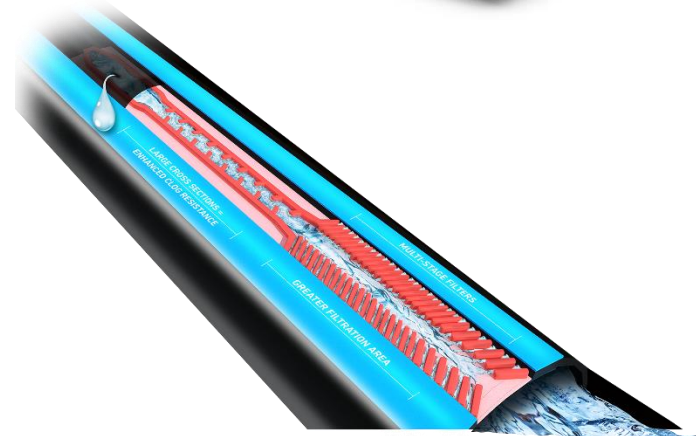
- Turf Equipment & Irrigation Systems
- TTC Advantage
 - Innovation & Performance—Share Gain & Margin Expansion
 - Strong Network of Distributors, Relationships & Customer Care



Micro-Irrigation Market



- Fundamentals & Opportunities
 - Efficient Water Use & Higher Demand for Food Production
 - Increase Yields & Reduce Resources (e.g. Water, Energy, Fertilizer)
- TTC Advantage
 - Product Quality & Innovation—Blue Stripe® and AquaTraxx®
 - Leverage Investments in New Geographic Markets



	Flood	Center Pivot	Micro
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



TSC TRACTOR
SUPPLY CO

BENEFITS OF COMPLEMENTARY BUSINESSES



Innovation
Transference

Professional



Production
Optimization

Residential

Bolsters Brand
Recognition



FOURTH QUARTER FISCAL 2019 RESULTS

(RELEASED DECEMBER 18, 2019)

	AS REPORTED		AS ADJUSTED*	
	F'19 Q4	Change from F'18 Q4	F'19 Q4	Change from F'18 Q4
Net Sales	\$734.4M	+36.2%		
Gross Profit (\$)	\$245.1M	+36.9%	\$253.5M	+41.6%
Gross Margin (% of Revenues)	33.4%	+20 bps	34.5%	+130 bps
Operating Earnings (\$)	\$43.3M	+0.7%	\$61.7M	+43.6%
Operating Earnings (% of Revenues)	5.9%	(210 bps)	8.4%	+40 bps
Earnings Before Income Taxes	\$43.7M	+0.3%	\$63.0M	+44.6%
Net Earnings	\$38.3M	(2.0%)	\$51.8M	+51.5%
Diluted EPS	\$0.35	(2.8%)	\$0.48	+50.0%

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

FISCAL YEAR 2019 RESULTS

(RELEASED DECEMBER 18, 2019)

	AS REPORTED		AS ADJUSTED*	
	F'19	Change from F'18	F'19	Change from F'18
Revenues	\$3,138.1M	+19.8%		
Gross Profit (\$)	\$1,048.0M	+11.4%	\$1,101.2M	+17.0%
Gross Margin (% of Revenues)	33.4%	(250 bps)	35.1%	(80 bps)
Operating Earnings (\$)	\$325.0M	(12.9%)	\$403.7M	+8.2%
Operating Earnings (% of Revenues)	10.4%	(380 bps)	12.9%	(130 bps)
Earnings Before Income Taxes	\$322.1M	(13.5%)	\$401.6M	+7.9%
Net Earnings	\$274.0M	+0.8%	\$324.3M	+11.8%
Diluted EPS	\$2.53	+1.2%	\$3.00	+12.4%

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

DRIVING CONTINUOUS IMPROVEMENT THROUGH EMPLOYEE INITIATIVES



F'01 – F'03

- ✓ Goal to achieve 5% PAT



F'04 – F'06

- ✓ Goal to achieve "6%+" PAT
- ✓ Goal to drive 8% 3 year compound revenue growth
- ✓ Began LEAN journey



F'07 – F'09

- Goal to drive 3 year compound revenue growth of 8%
- Goal to achieve "7%+" PAT
- ✓ Working capital as % of sales "in the teens"



F'10

- ✓ Singular Goal – 5% PAT



F'11 – F'14

- \$100M+ organic growth each year
- ✓ 12%+ operating earnings by end of F'14



F'15 – F'17

- 5% or more organic growth each year
- ✓ 13%+ operating earnings by end of F'17
- Working capital below 13% by end of F'17



F'18 – F'19

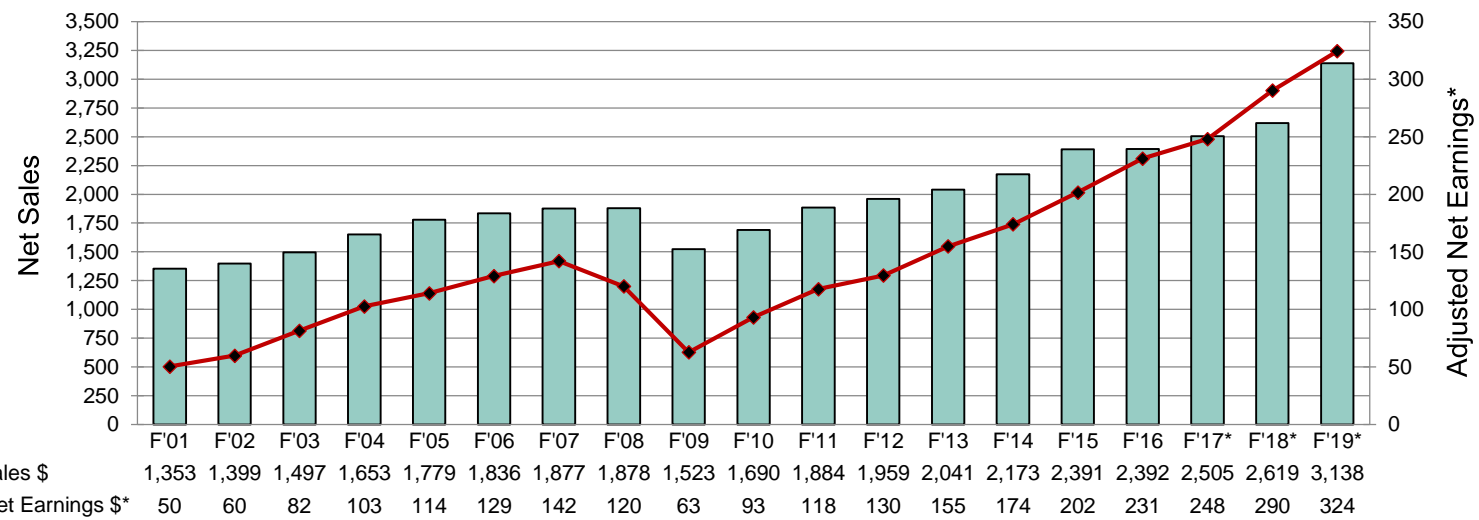
- 5% or more organic growth each year
- 15.5% or more operating earnings margin by end of F'20

The Toro Company



F'20

- Singular Goal – \$485M Adjusted Operating Earnings*



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

CORPORATE RESPONSIBILITY

- The Toro Company continually seeks to improve its energy efficiency and reduce the environmental footprint of its global manufacturing facilities.
- The Toro Company's values-based culture governs how our people conduct business, interact with each other, and support our customers.
- The Toro Company was founded on an unwavering conviction to conduct business according to the highest standards of ethical behavior.
- The Toro Company believes that along with its industry leadership and financial success comes a responsibility to give back to the communities in which our employees live and work.
- As we strive to attract and retain the very best employees, we are committed to fostering an atmosphere that embraces diversity and supports Toro's programs and policies related to equal opportunity.
- The Toro Company is committed to developing innovative and safe products that yield performance, productivity and environmental benefits for our customers.

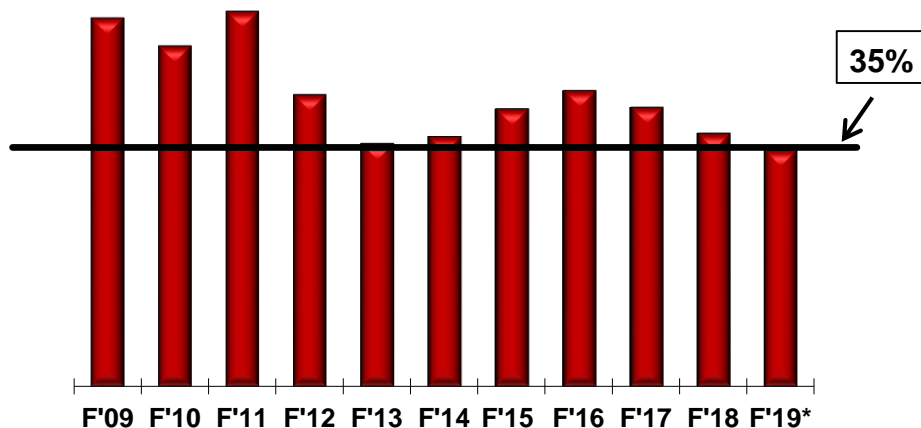


INVESTMENTS IN GROWTH

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

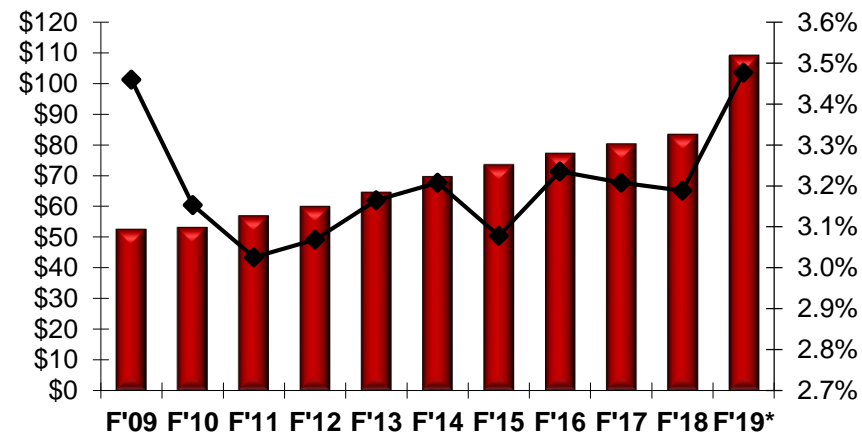


Vitality Index
(Percent of Sales from New Products**)



*Includes Charles Machine Works for F'19
**Introduced Over the Prior Three Years

R&E Investment and % of Net Sales
(\$ in Millions)



*Includes Charles Machine Works for F'19

CAPITAL DEPLOYMENT

Cash From Operations



▣ Free Cash Flow Conversion to Approximate Net Income Over Time

Operating and Growth Needs

- Internal Productive Assets
- Acquisitions & Alliances



▣ Target Debt-to-EBITDA Ratio of 1-2x

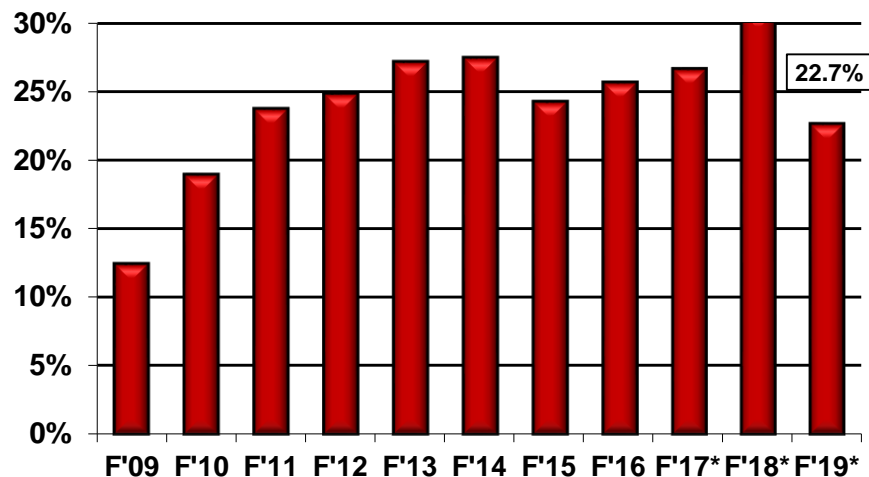
Return to Shareholders / Debt Repayment

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

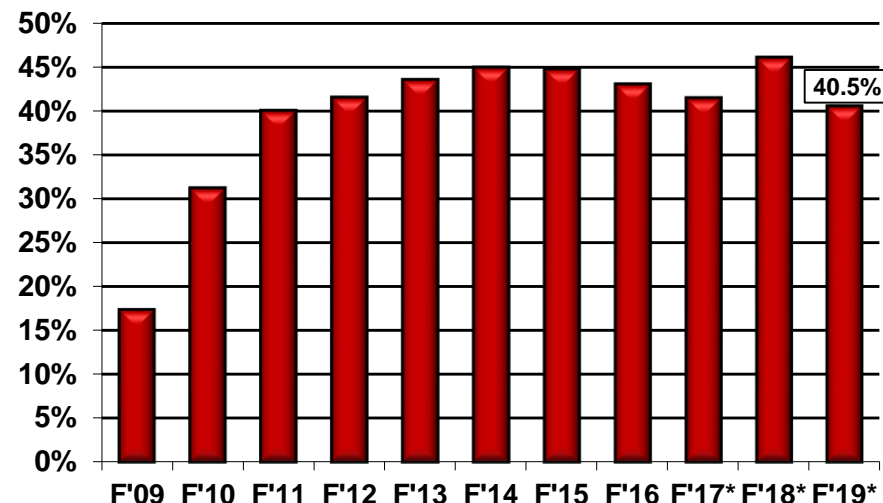
(\$ millions)	F'11	F'12	F'13	F'14	F'15	F'16	F'17	F'18	F'19
Operating Cash Flow	\$120	\$200	\$234	\$197	\$250	\$384	\$361	\$365	\$337
Capital Expenditures	\$57	\$43	\$49	\$71	\$56	\$51	\$58	\$90	\$93
Strategic Acquisitions (net of cash)	\$15	\$10	\$2	\$1	\$198	\$0	\$24	\$31	\$697
Dividends Paid	\$25	\$26	\$32	\$45	\$56	\$66	\$76	\$85	\$96
Share Repurchases	\$130	\$93	\$99	\$102	\$106	\$110	\$159	\$160	\$20
Total Capital Deployed	\$227	\$172	\$183	\$219	\$416	\$227	\$318	\$367	\$906
% of Operating Cash Flow	190%	86%	78%	111%	167%	59%	88%	101%	269%

KEY PERFORMANCE MEASURES

Return on Average Invested Capital (%)*



Return on Average Equity (%)*



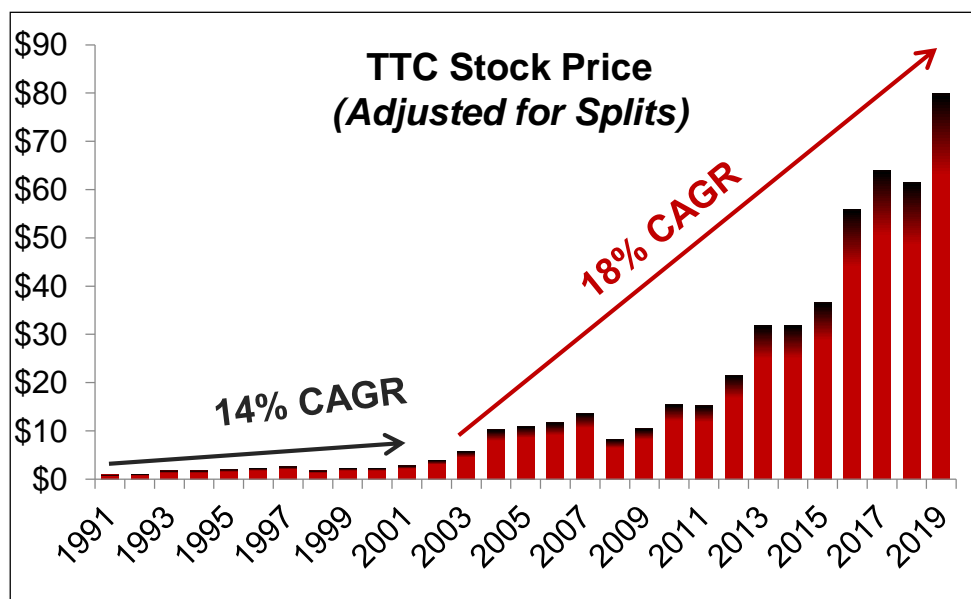
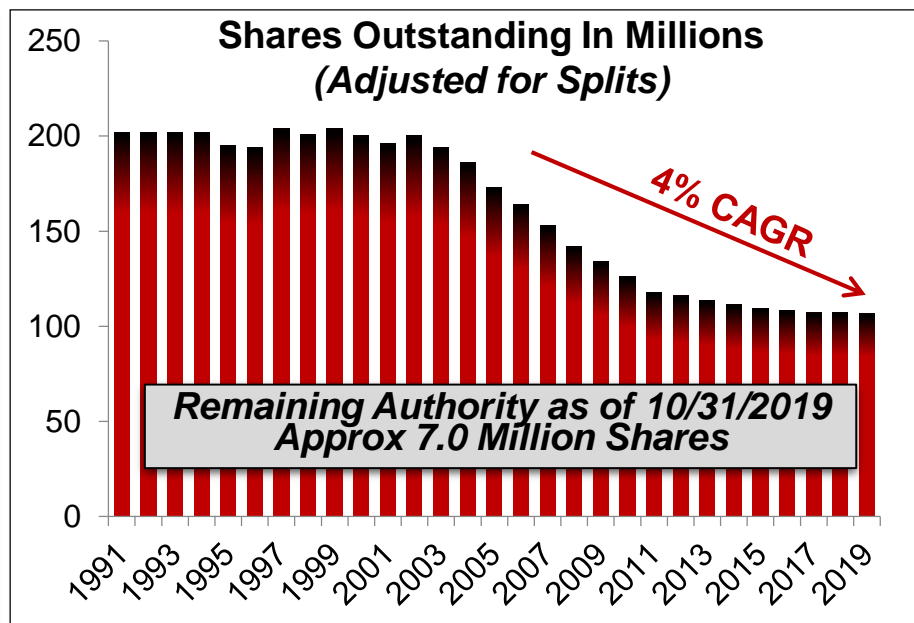
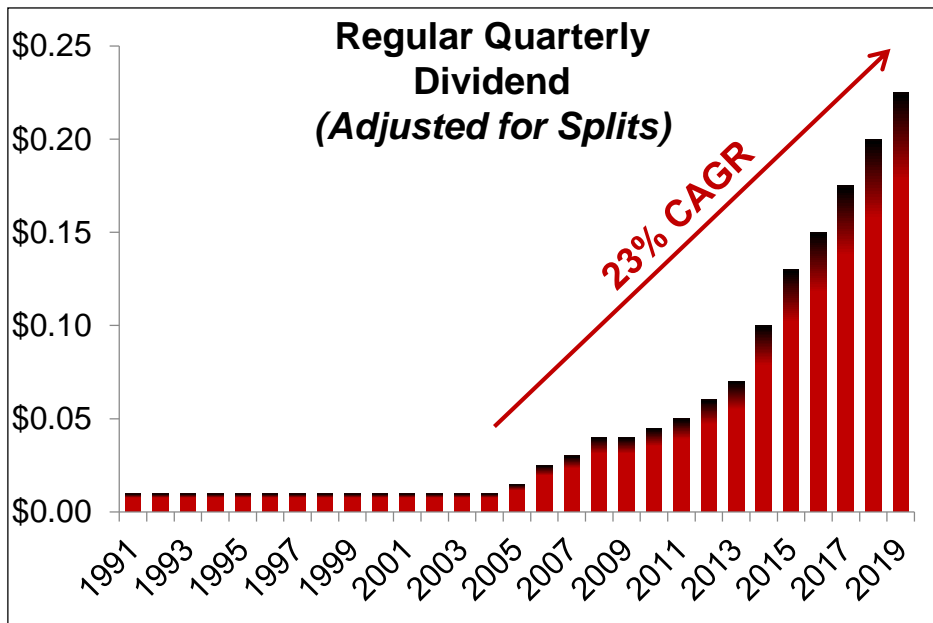
Cash Flow (\$ in millions)

	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16	F'17	F'18	F'19
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
Capital Expenditures	(\$37.9)	(\$48.7)	(\$57.4)	(\$43.2)	(\$49.4)	(\$71.1)	(\$56.4)	(\$50.7)	(\$58.3)	(\$90.1)	(\$92.9)
Free Cash Flow (FCF)	\$213.6	\$144.5	\$62.5	\$156.7	\$184.9	\$125.8	\$193.2	\$333.6	\$302.5	\$274.7	\$244.5
FCF Conversion**	340%	155%	53%	121%	119%	72%	96%	144%	113%	101%	89%

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

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

INCREASING SHAREHOLDER VALUE



SUMMARY

GAINING MOMENTUM

Building on a Solid Foundation

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



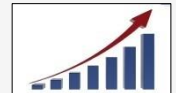
Leveraging a High Value Business Model

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



GUIDANCE

(AS OF DECEMBER 18, 2019)

Fiscal Year 2020:

Adjusted Diluted EPS*	\$3.33 - \$3.40
Net Sales	About \$3.6 billion
Adjusted Gross Margin*	Improvement compared to Fiscal 2019
SG&A Rate	Higher compared to Fiscal 2019 with full-year CMW impact
Interest Expense	About \$33 million
Other Income, net	About \$13 million
Adjusted Effective Tax Rate*	About 20.5%
Capital Expenditures	About \$100 million
Depreciation & Amortization	About \$95 million
Share Repurchases	Higher compared to Fiscal 2019 following curtailment after CMW acquisition
Free Cash Flow Conversion*	About 100%

First Quarter F'20:

Adjusted Diluted EPS*	About \$0.58
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**Non-GAAP Measure*



APPENDIX**NON-GAAP FINANCIAL MEASURES**

- This presentation contains certain non-GAAP financial measures, which are not calculated or presented in accordance with U.S. GAAP, as information supplemental and in addition to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP. The non-GAAP financial measures included within this presentation consists of gross profit, earnings before income taxes, operating earnings, net earnings, net earnings per diluted share and effective tax rate, each as adjusted, and free cash flow as measures of our operating performance.
- 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 historical non-GAAP financial measures used in the presentation to the most directly historical comparable GAAP financial measure.
- Reconciliations of forward-looking non-GAAP guidance to projected 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 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*	F'18*	F'19*
Adj. Op. Earnings* (1-Adj. Tax Rate)	\$75.6	\$99.8	\$124.2	\$135.7	\$157.5	\$178.4	\$207.2	\$233.7	\$249.3	\$290.6	\$325.8
Avg. Quarterly Capital Utilized	\$606.0	\$526.6	\$522.0	\$544.1	\$579.5	\$649.1	\$852.7	\$910.1	\$935.4	\$944.0	\$1,437.0
ROIC	12.5%	19.0%	23.8%	24.9%	27.2%	27.5%	24.3%	25.7%	26.7%	30.8%	22.7%

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

Return on Average Equity (%)*

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

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

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

Q4 & FULL YEAR NON-GAAP RECONCILIATIONS

The following table provides a reconciliation of financial measures calculated and reported in accordance with GAAP, as well as adjusted non-GAAP financial measures for the three and twelve month periods ended October 31, 2019 and October 31, 2018:

	Three Months Ended		Twelve Months Ended	
	October 31, 2019	October 31, 2018	October 31, 2019	October 31, 2018
Gross profit	\$ 245,067	\$ 179,063	\$ 1,047,963	\$ 941,011
Acquisition-related costs ¹	7,267	—	42,958	—
Management actions ²	1,199	—	10,316	—
Adjusted non-GAAP gross profit	\$ 253,533	\$ 179,063	\$ 1,101,237	\$ 941,011
Operating earnings	\$ 43,306	\$ 42,996	\$ 325,029	\$ 373,085
Acquisition-related costs ¹	11,275	—	62,333	—
Management actions ²	7,163	—	16,311	—
Adjusted non-GAAP operating earnings	\$ 61,744	\$ 42,996	\$ 403,673	\$ 373,085
Earnings before income taxes	\$ 43,698	\$ 43,571	\$ 322,133	\$ 372,397
Acquisition-related costs ¹	11,275	—	62,333	—
Management actions ²	8,019	—	17,167	—
Adjusted non-GAAP earnings before income taxes	\$ 62,992	\$ 43,571	\$ 401,633	\$ 372,397
Net earnings	\$ 38,266	\$ 39,037	\$ 273,983	\$ 271,939
Acquisition-related costs ¹	9,347	—	51,149	—
Management actions ²	6,454	—	13,817	—
Tax impact of share-based compensation ³	(2,159)	(4,917)	(13,677)	(14,555)
U.S. Tax Reform ⁴	(86)	89	(1,012)	32,702
Adjusted non-GAAP net earnings	\$ 51,822	\$ 34,209	\$ 324,260	\$ 290,086
Diluted EPS	\$ 0.35	\$ 0.36	\$ 2.53	\$ 2.50
Acquisition-related costs ¹	0.09	—	0.47	—
Management actions ²	0.06	—	0.13	—
Tax impact of share-based compensation ³	(0.02)	(0.04)	(0.12)	(0.13)
U.S. Tax Reform ⁴	—	—	(0.01)	0.30
Adjusted non-GAAP diluted EPS	\$ 0.48	\$ 0.32	\$ 3.00	\$ 2.67

Q4 & FULL YEAR NON-GAAP RECONCILIATIONS CONT.

	Three Months Ended		Twelve Months Ended	
	October 31, 2019	October 31, 2018	October 31, 2019	October 31, 2018
Effective tax rate	12.4 %	10.4 %	14.9 %	27.0 %
Acquisition-related costs ¹	(0.4)%	— %	(0.3)%	— %
Management actions ²	0.6 %	— %	0.1 %	— %
Tax impact of share-based compensation ³	4.9 %	11.3 %	4.3 %	3.9 %
U.S. Tax Reform ⁴	0.2 %	(0.2)%	0.3 %	(8.8)%
Adjusted non-GAAP effective tax rate	17.7 %	21.5 %	19.3 %	22.1 %

¹ During the second quarter of fiscal 2019, the company acquired The Charles Machine Works, Inc. ("CMW"), a privately held Oklahoma corporation. Acquisition-related costs represent integration and transaction costs incurred, as well as charges incurred for the take-down of the inventory fair value step-up amount and amortization of the backlog intangible asset resulting from purchase accounting adjustments, related to the company's acquisition of CMW during the three and twelve month periods ended October 31, 2019.

² During the third quarter of fiscal 2019, the company announced it will wind down its Toro-branded large horizontal directional drill and riding trencher product line. Additionally, during the fourth quarter of fiscal 2019, the company incurred charges for a corporate restructuring event and a loss on the divestiture of a used underground construction equipment business. Management actions represent charges incurred during the three and twelve month periods ended October 31, 2019 for the Toro underground wind down, including charges related to the write-down of inventory, anticipated inventory retail support activities, and accelerated depreciation on fixed assets; the corporate restructuring event, including employee severance charges; and the divestiture of a used underground construction equipment business, including the loss on the sale of the business.

³ In the first quarter of fiscal 2017, the company adopted Accounting Standards Update No. 2016-09, *Stock-based Compensation: Improvements to Employee Share-based Payment Accounting*, which requires that any excess tax deduction for share-based compensation be immediately recorded within income tax expense. These amounts represent the discrete tax benefits recorded as excess tax deductions for share-based compensation during the three and twelve month periods ended October 31, 2019 and October 31, 2018.

⁴ Signed into law on December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act"), reduced the U.S. federal corporate tax rate from 35.0 percent to 21.0 percent, effective January 1, 2018, resulting in a blended U.S. federal statutory tax rate of 23.3 percent for the fiscal year ended October 31, 2018. This reduction in rate required the re-measurement of the company's net deferred taxes as of the date of enactment. The Tax Act also imposed a one-time deemed repatriation tax on the company's historical undistributed earnings and profits of foreign affiliates. During the three and twelve month periods ended October 31, 2019, the company recorded a tax benefit of \$0.1 million and \$1.0 million, respectively, related to a prior year true-up of the Tax Act. During the three and twelve month periods ended October 31, 2018, the re-measurement of the company's net deferred taxes and the one-time deemed repatriation tax resulted in a combined charge of \$0.1 million and \$32.7 million, respectively.

MANUFACTURING LOCATIONS

