

The TORO logo, featuring the word "TORO" in white, bold, serif capital letters with a registered trademark symbol, set against a red rounded square background.

**TORO®**

# ***The Toro Company***

***Building Our Next Century On Innovation***

***2015 Golf Industry Show—Business Update  
February 2015***

[www.thetorocompany.com](http://www.thetorocompany.com)



# Agenda

- |   |   |
|---|---|
| <b>1. Welcome</b>                                   | <b>Amy Dahl</b> , Managing Director, IR     |
| <b>2. Company Overview</b>                          | <b>Mike Hoffman</b> , Chairman & CEO        |
| <b>3. Financial Update &amp; Capital Allocation</b> | <b>Renee Peterson</b> , VP, Treasurer & CFO |
| <b>4. Market Strategies</b>                         |   |

- 
- Residential  
Landscape & Grounds**
- Turf Equipment
  - Rental & Specialty Construction

**Mike Happe**,  
Group Vice President,  
Residential & Contractor Businesses

- 
- Landscape & Grounds**
- Irrigation & Lighting
  - Snow & Ice Management
- Domestic Golf**

**Bill Brown**,  
Group Vice President,  
Commercial & Irrigation Businesses

- 
- International**
- Golf
  - Landscape & Grounds
- Agriculture Irrigation**

**Rick Olson**,  
Group Vice President,  
International & Micro-Irrigation Businesses &  
Distributor Development

- 
- |                   |            |
|-------------------|------------|
| <b>5. Q&amp;A</b> | <b>All</b> |
|-------------------|------------|

# ***Forward-Looking Statements***

- This presentation contains forward-looking statements regarding our business and future financial and operating results made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.
- These forward-looking statements are based on management's current assumptions and expectations of future events. Actual events and results may differ from those predicted.
- Please refer to the cautionary statement and risk factors in our most recent annual report on Form 10-K, subsequent quarterly reports on Form 10-Q, and other filings with the Securities and Exchange Commission.

# ***Company Overview***



# The Toro Company

## OUR PURPOSE

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

## OUR VISION

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

## OUR MISSION

To deliver superior innovation and to deliver superior customer care.



## 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.

# Company Overview

(NYSE: TTC)

## Summary

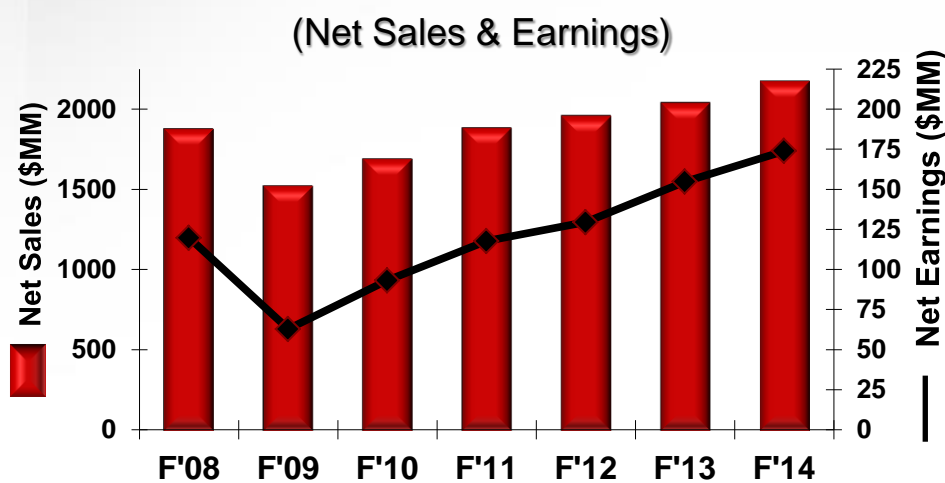
- Rich History and Deep Expertise in Solutions for the Outdoor Environment & Development of Distribution and Customer Care Networks
- Diverse Portfolio of Markets & Products
- Innovation & Brand Leadership
- 2014 Centennial—Launched Second Century

## Opportunities

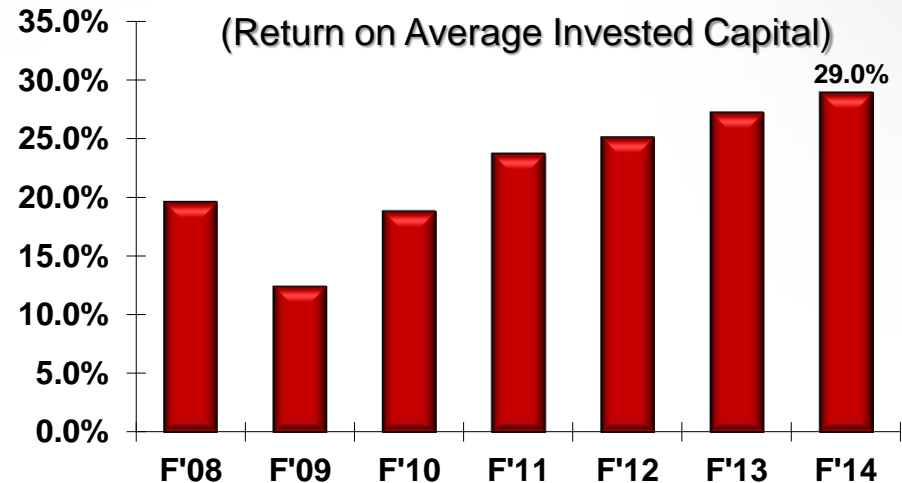
- Top-Line Growth Potential
- Margin Expansion Opportunity
- Strong Balance Sheet

## Financial Performance

(Net Sales & Earnings)



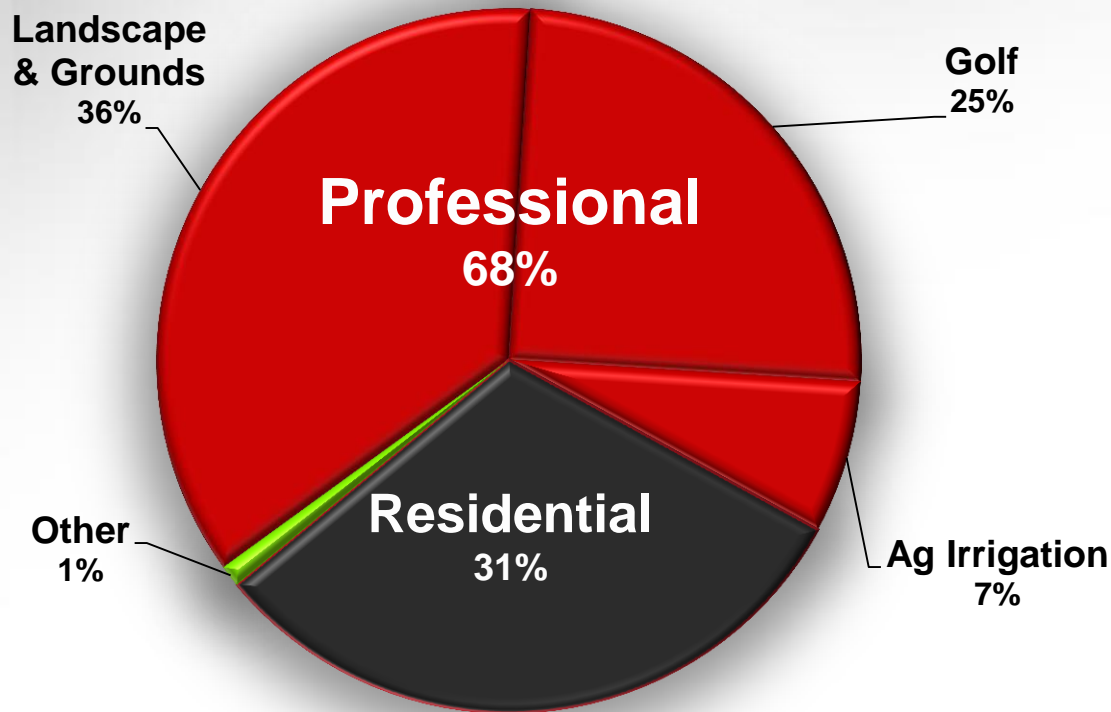
(Return on Average Invested Capital)



# Diverse Portfolio

F'14 Revenues—\$2.2 Billion

## Segments & Markets



### Professional

F'14 Sales: \$1.478B

F'14 Segment Earnings: 18.7%

- Innovation leader
- Performance, productivity & customer care relationships valued by customers
- Planned & more regular customer spending
- Higher margins

### Residential

F'14 Sales: \$672M

F'14 Segment Earnings: 11.4%

- Powerful brands
- Strong sales channel & service network
- Innovation, quality & durability rewarded by customers



# 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'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
- **Productivity**  
**Relationships**  
**Innovation**  
**Momentum**  
**Excellence**



## F'10

- ✓ Singular Goal – 5% PAT



# ***Financial Results & Capital Allocation***

# ***F'15 Q1 Results***

***(Released February 19, 2015)***

	<u>F'15 Q1</u>	<u>▲ from F'14 Q1</u>
<b>Revenues</b>	\$474.2M	6.3%
<b>Gross Margin</b> (% of Revenues)	35.6%	(110)bps
<b>SG&amp;A</b> (% of Revenues)	26.2%	(140)bps
<b>Operating Earnings</b> (\$)	\$44.4M	9.4%
<b>Operating Earnings</b> (% of Revenues)	9.4%	30bps
<b>EPS</b>	\$0.54	22.7%

# ***F'15 FY & Q2 Guidance***

***(As of February 19, 2015)***

## **F'15 FY**

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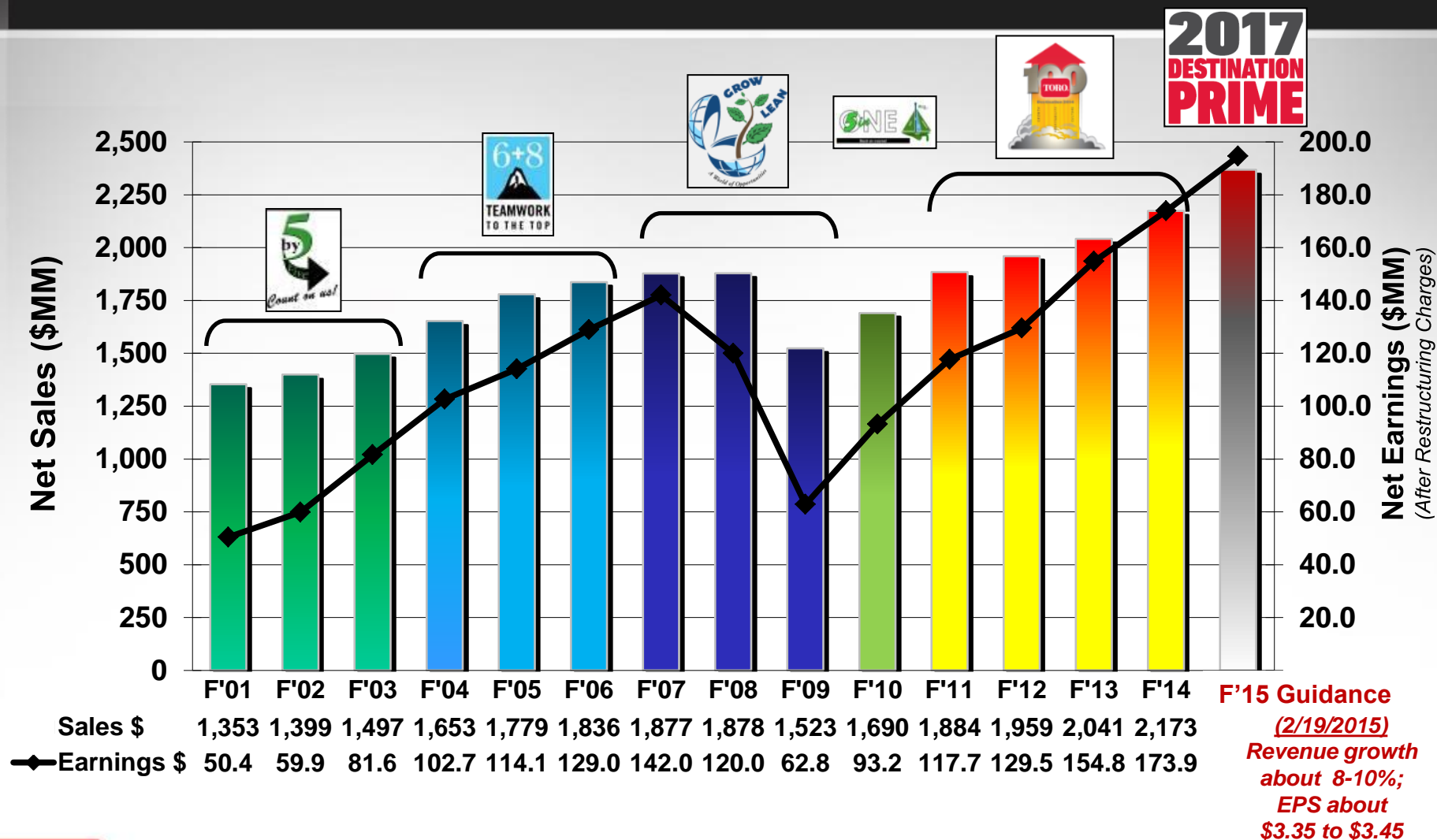
<b>EPS:</b>	About \$3.35 to \$3.45
<b>Revenues:</b>	Up About 8% to 10% From F'14
<b>Gross Margin:</b> (% of Revenues)	Decrease of 20 to 30 bps From F'14 (FX & One-Time Boss Purchase Accounting)
<b>SG&amp;A:</b> (% of Revenues)	Some Improvement Over F'14
<b>Tax Rate:</b>	About 31.5%
<b>CapEx:</b>	About \$75M
<b>Depreciation &amp; Amortization:</b>	About \$60M to \$65M
<b>Interest Expense:</b>	About \$18M
<b>FX:</b>	Somewhat More Of A Drag Than F'14
<b>Share Repurchases:</b>	Expect To Spend An Amount Similar To F'14
<b>Free Cash Flow:</b>	About \$170M

## **F'15 Q2**

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<b>EPS:</b>	About \$1.58 to \$1.63
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# Sales & Profit Improvement



# Capital Deployment

## Cash From Operations



## Operating and Growth Needs

- Internal Productive Assets
- Acquisitions & Alliances



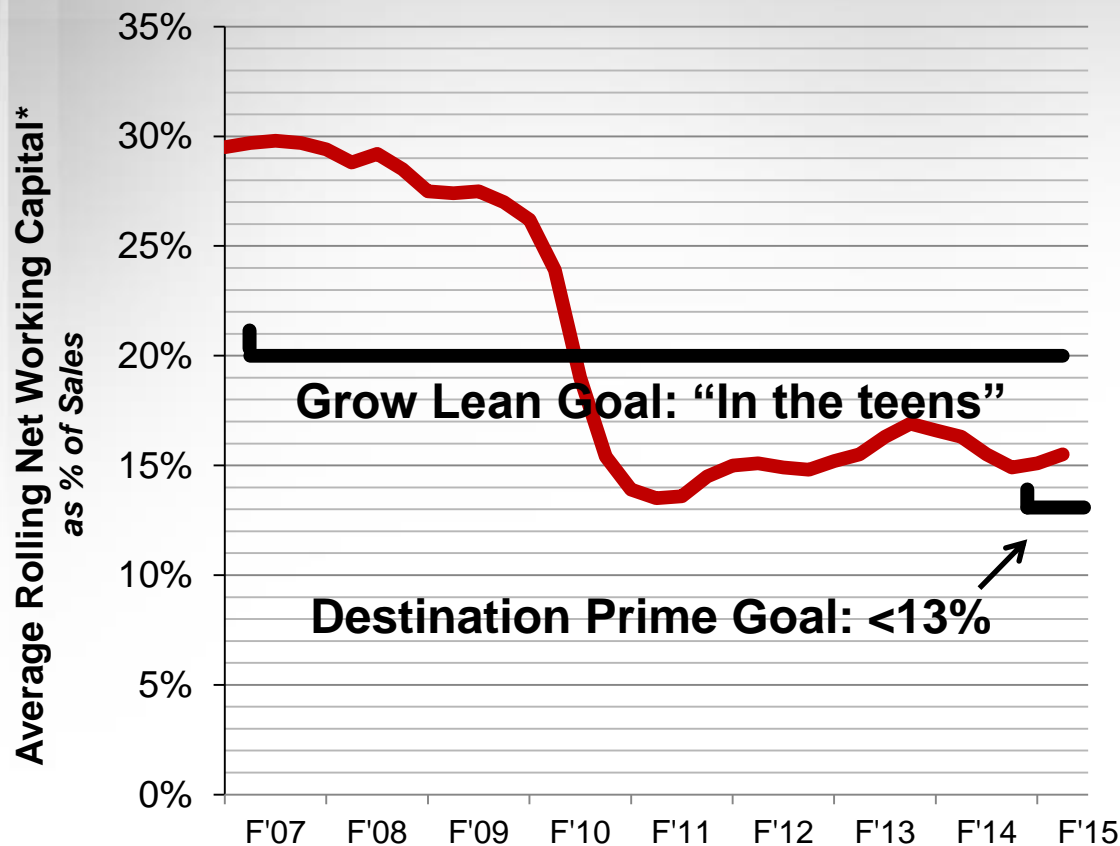
## Return to Shareholders

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

(\$ millions)	F'08	F'09	F'10	F'11	F'12	F'13	F'14	Total
Operating Cash Flow	\$216	\$252	\$194	\$113	\$186	\$222	\$182	\$1,365
Capital Expenditures	\$49	\$38	\$49	\$57	\$43	\$49	\$71	\$356
Acquisitions	\$4	\$6	\$10	\$15	\$10	\$2	\$1	\$48
Dividends Paid	\$23	\$21	\$24	\$25	\$26	\$32	\$45	\$196
Share Repurchases	\$110	\$115	\$136	\$130	\$93	\$100	\$103	\$787
Total Capital Deployed	\$186	\$180	\$219	\$227	\$172	\$183	\$220	\$1,387
% of Operating Cash Flow	86%	71%	113%	201%	93%	82%	121%	102%



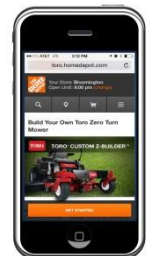
# Working Capital Improvement



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

# ***Market Strategies***

# Residential Segment



# Professional Segment

## Landscape & Grounds—Turf Equipment



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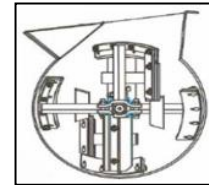
# Professional Segment

## Landscape & Grounds—Rental & Specialty Construction



**TORO'S 2015  
RENTAL SHOW  
PROGRAM IS HERE.**

Click [here](#) to find out more about Toro's once-a-year deals on more products for rental stores!



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# Professional Segment Landscape & Grounds—Irrigation & Lighting

FreeSprinklerNozzles.com



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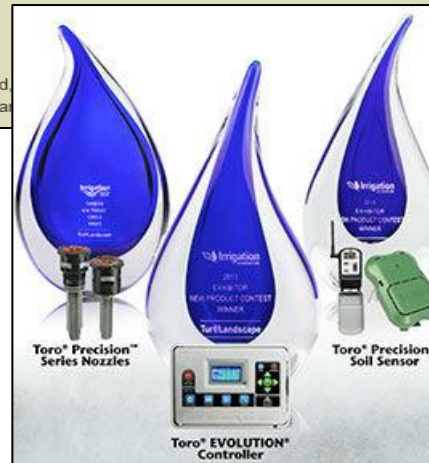
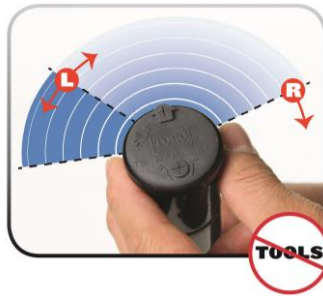
FREE Toro® Precision™ Series Spray Nozzles

Login  
Reprint Voucher  
Extend Voucher  
Agency Contacts  
Communities Served  
Videos  
FAQ's  
Suppliers



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nozzles, just watch the video below and get started. When the video will appear, just click the button to go to the map at



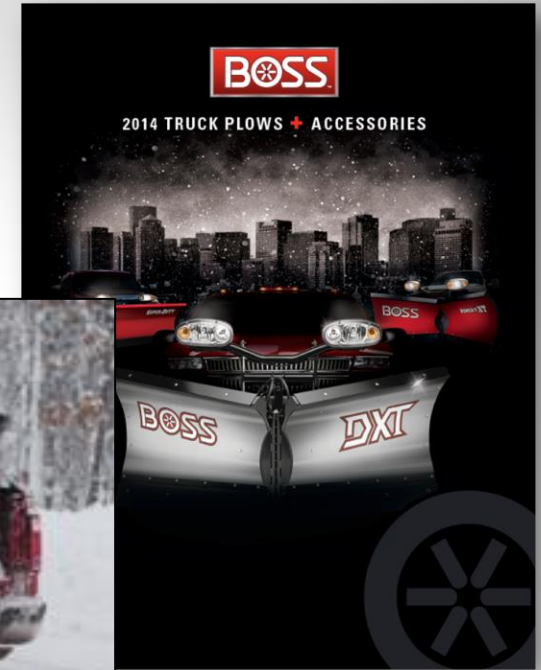
Upgrade Your Irrigation System  
with Toro's Award-Winning,  
Water-Efficient Technologies.



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# Professional Segment

## Landscape & Grounds—Snow & Ice Management



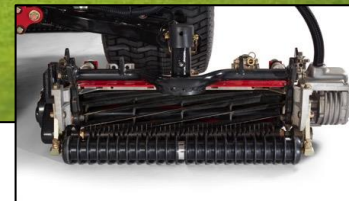
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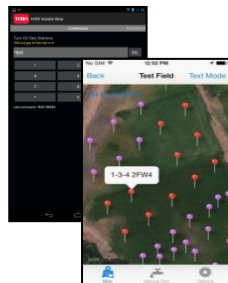
# Professional Segment

## Domestic Golf

US Golf  
Golf Courses: ~16,000  
Population: ~300 Million



**NSN®**



# Professional Segment

## International Golf



International Golf  
Golf Courses: ~16,000  
Population: ~6.5 Billion

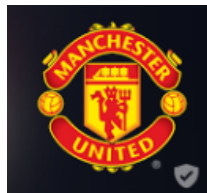


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# Professional Segment

## International Landscape & Grounds



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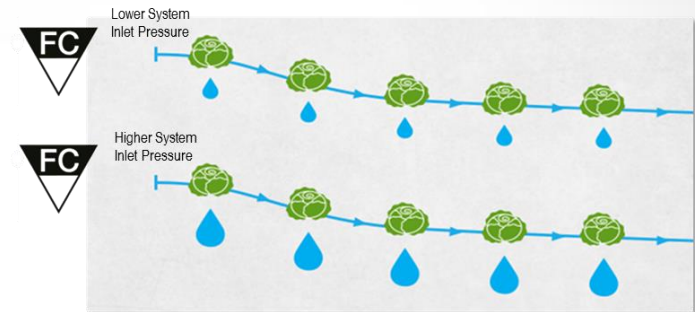




# Professional Segment Agriculture Irrigation

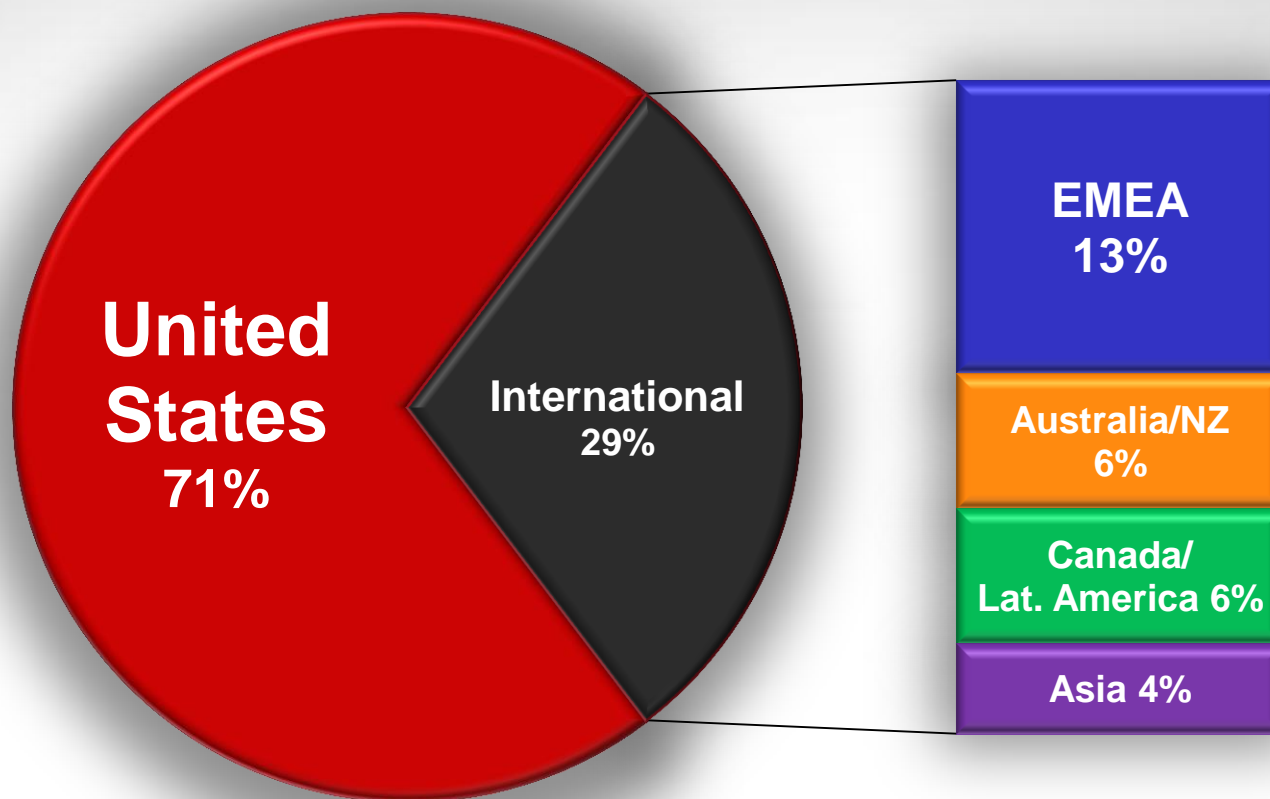


	Flood	Center Pivot	Micro
Acreage	50%	40%	10%
Efficiency	40%	70%	90%+



# Geographic Mix

F'14 Revenues—\$2.2 Billion



# ***Questions***



**Count on it.**

**TORO.**