THE TORO COMPANY

THE TORO COMPANY

Q2 2024 EARNINGS PRESENTATION

June 6, 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 2024 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 ending May 3 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 2024 Key Messages

1. **Record net sales** driven by exceptional growth in Residential segment and underground construction; **significant progress made in reducing dealer field inventories** of lawn care equipment, driven by lower shipments to that channel, as expected, coupled with spring retail momentum

2. **Exceptional growth in Residential segment** driven by strength of mass channel, successful new product introductions, and better weather conditions compared to last year

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

4. **Company reaffirms full-year fiscal 2024 guidance** of low-single-digit total company net sales growth and *adjusted diluted EPS in the range of $4.25 to $4.35; entering the second half of the fiscal year with **good momentum**

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

Q2 2024 Financial Highlights

(Year-over-year comparisons below)

0.7%
NET SALES GROWTH

Increase was primarily due to higher product shipments to residential segment mass channel, and increased shipments of underground and specialty construction equipment, and golf and grounds products, partially offset by lower shipments of zero-turn mowers to residential and professional segment dealers, as expected

-220 bps
ADJUSTED GROSS MARGIN*

Decrease was primarily due to product mix given exceptional residential segment growth and higher material and manufacturing costs, partially offset by productivity improvements

-210 bps
ADJUSTED OPERATNG EARNINGS MARGIN*

In addition to productivity improvements, lower marketing costs also provided a partial offset to product mix and higher material and manufacturing costs

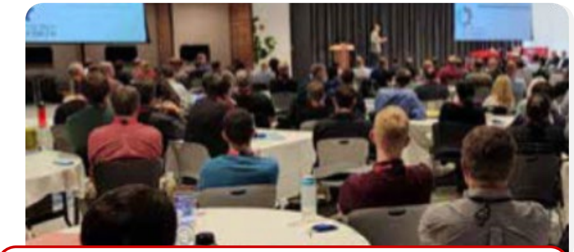
Results for the second quarter were aligned with our outlook, as our talented team continued the disciplined execution of our strategic priorities

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

Q2 2024 Other Notable Highlights

New Products Driving Profitable Growth

Ditch Witch AT120, the world's most powerful all-terrain horizontal directional drill, leverages 30 patents



Empowered Team Inspiring Unique Solutions

TTC Technology Forum drives collaboration to enable new product features, unlock data insights

YTD Free Cash Flow Up Nearly $100M

Reflects strength of diversified portfolio and progress on working capital normalization

Order Backlog Remains Elevated; Making Progress

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

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")

Major productivity initiative on track and gaining momentum; expect more than $100M of incremental annual cost savings by 2027, a portion of which we intend to prudently reinvest

3 Key Focus Areas for Transformation:

1. Supply Base
2. Design-to-Value
3. Route-to-Market

Financials

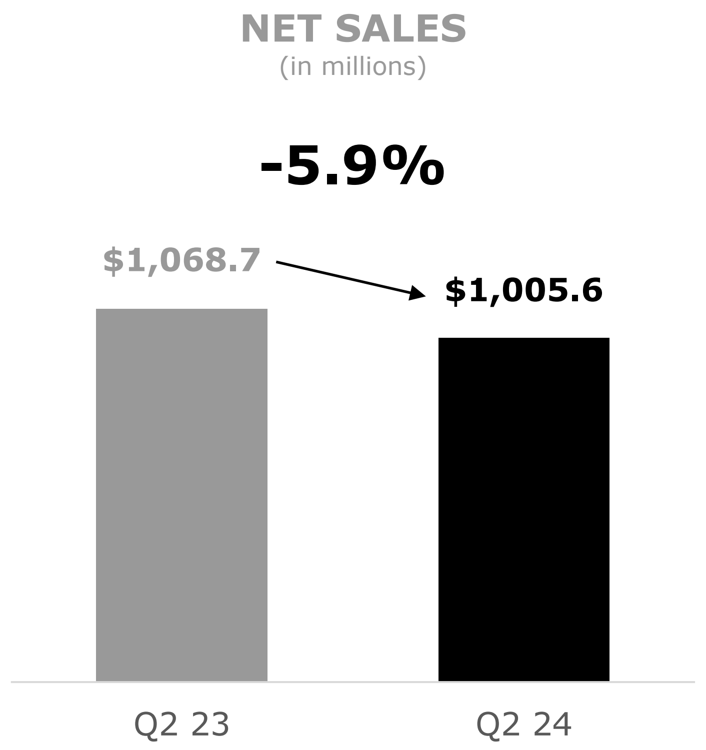
Q2 2024 Consolidated Results

Strength of mass channel and businesses with elevated order backlog drive record net sales

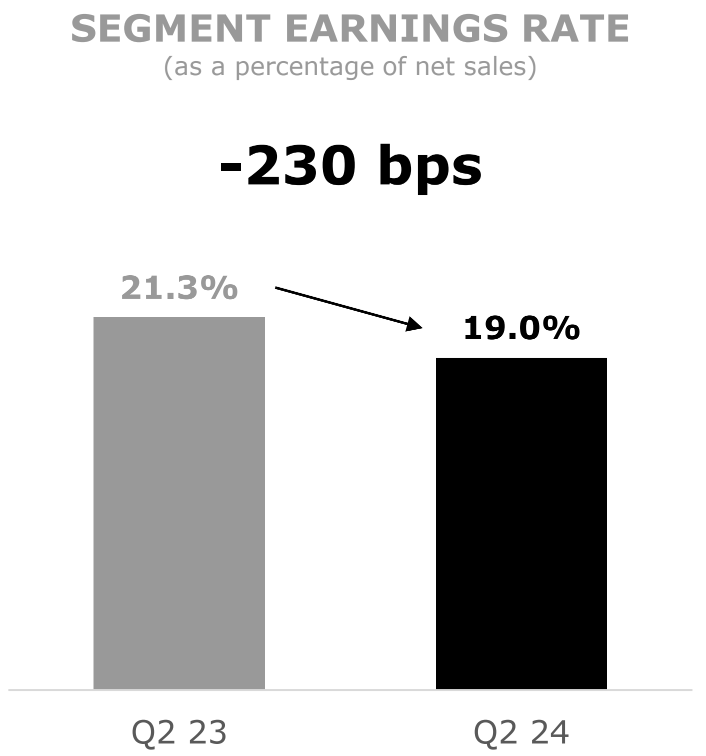
	REPORTED			ADJUSTED*		
	Q2 24	Q2 23	Change from Q2 23	Q2 24	Q2 23	Change from Q2 23
Net Sales	**$1,349.0M**	**$1,339.3M**	**0.7%**	**$1,349.0M**	**$1,339.3M**	**0.7%**
Gross Profit ($)	$453.0M	$479.7M	-5.6%	$453.0M	$479.7M	-5.6%
Gross Margin (% of Net Sales)	33.6%	35.8%	-220 bps	33.6%	35.8%	-220 bps
Operating Earnings ($)	**$187.6M**	**$218.8M**	**-14.3%**	**$192.0M**	**$218.8M**	**-12.2%**
Operating Earnings Margin (% of Net Sales)	**13.9%**	**16.3%**	**-240 bps**	**14.2%**	**16.3%**	**-210 bps**
Earnings Before Income Taxes	$179.2M	$210.8M	-15.0%	$183.6M	$210.8M	-12.9%
Net Earnings	$144.8M	$167.5M	-13.6%	$147.3M	$166.4M	-11.5%
Diluted EPS	$1.38	$1.59	-13.2%	$1.40	$1.58	-11.4%

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

Professional Segment Results



Decrease was primarily driven by **lower shipments of zero-turn mowers**, as expected, partially offset by **higher shipments of underground and specialty construction equipment, and golf and grounds products**

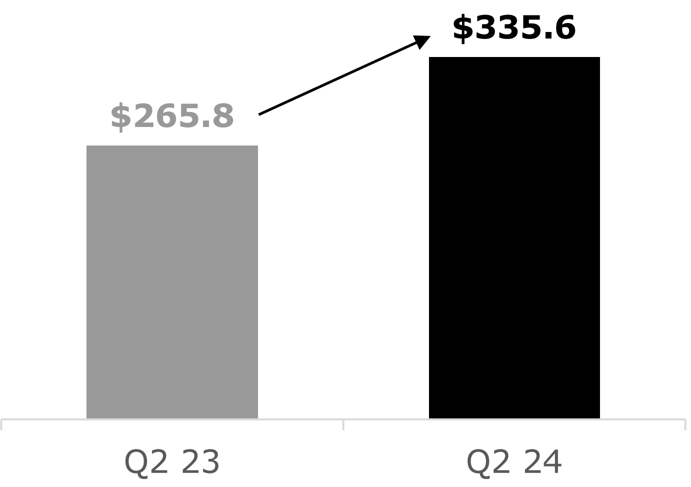


Change in profitability was expected and primarily due to **lower net sales volume and higher material and manufacturing costs**, partially offset by **productivity improvements**

Residential Segment Results

NET SALES
(in millions)

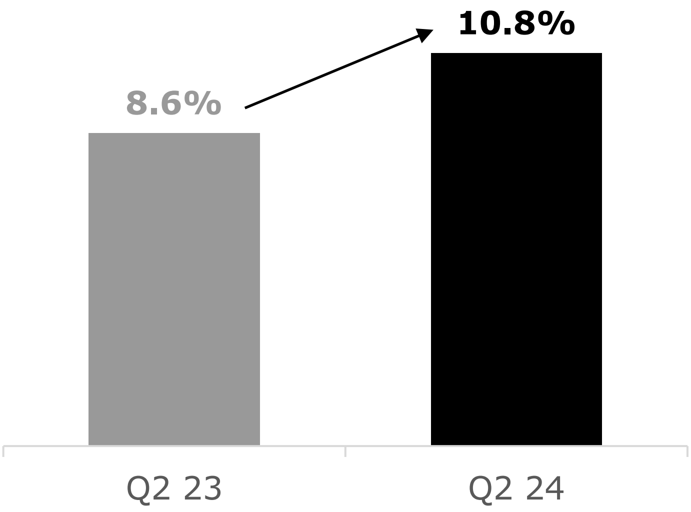
+26.3%



Increase was primarily driven by **higher shipments of product to our mass channel**, which was partially offset by **lower shipments to our dealer channel**, as expected

SEGMENT EARNINGS RATE
(as a percentage of net sales)

+220 bps

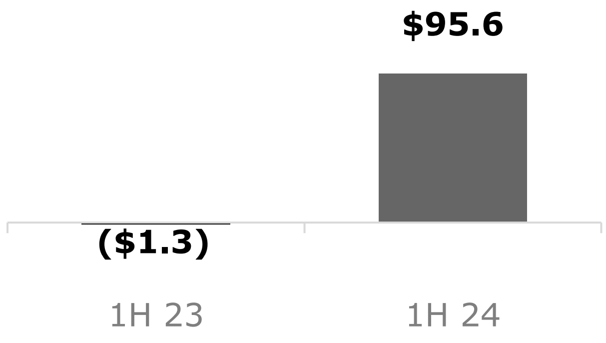


Increase was largely due to **net sales leverage and productivity improvements**, partially offset by **product mix and higher material and manufacturing costs**

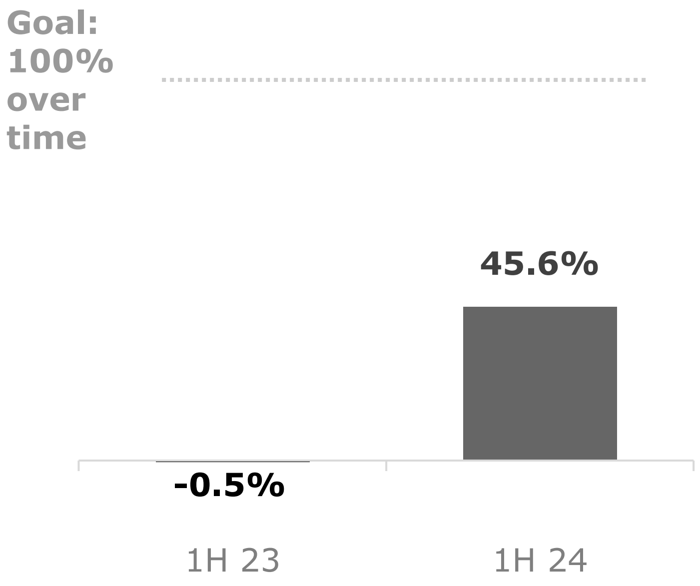
Strong Balance Sheet and Resilient Free Cash Flow

Free Cash Flow* (Six months ended)

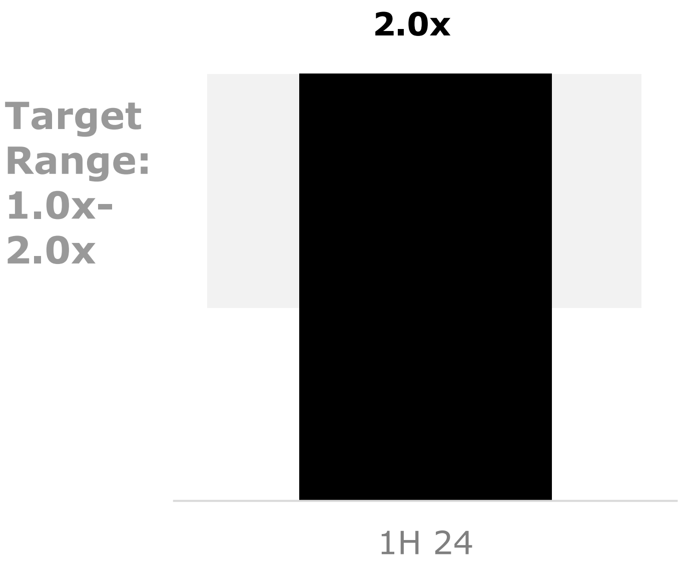
In millions



Free Cash Flow Conversion* (Six months ended)



Gross Debt to EBITDA Ratio*



Year-to-date free cash flow is up almost $100M. We expect the majority of our operating cash flow to be generated in the second half of the fiscal year, as is typical, and a conversation rate of ~100% for the full year.

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

Effective Capital Deployment

Consistent Priorities	1H 2024 Actions
1 Capital expenditures supporting organic growth with high returns	Invested $39.5M to fund new product investments, advanced manufacturing technologies, and capacity for growth
2 Strategic approach to acquisitions with disciplined process and proven track record	Company continues to evaluate potential acquisitions with discipline, with an objective of accelerating profitable growth and driving meaningful value for all stakeholders
3 Long-established dividend with increases commensurate with earnings growth	Returned $75.1M to shareholders via regular dividends, representing a payout increase of 6% year-over-year
4 Excess cash deployed to repurchase shares with a goal to at least offset dilution over time	Returned $10.0M to shareholders via share repurchases; plan to ramp up repurchases in the 2H of 2024

Disciplined capital allocation drives long-term value for all stakeholders

Q3 2024 Outlook Commentary
(All on a year-over-year basis unless noted)

Net Sales Growth (%)	Total company up high teens
	Professional segment up high single-digits to low teens
	Residential segment up substantially
Adjusted Operating Earnings Margin* (%)	Total company higher
	Professional higher; similar to Q2 2024
	Residential much higher; lower sequentially from Q2 2024
Adjusted Diluted EPS* ($)	Meaningfully higher; slightly higher than Q3 2022's record $1.19
Other Activities ($)	2H quarterly run-rate similar to Q1 2024

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

2024 Net Sales and Adjusted Diluted EPS* Guidance Reaffirmed

	Guidance as of March 7, 2024	Updated Guidance as of June 6, 2024
Net Sales Growth (%)	Up Low Single-Digits	Up Low Single-Digits
Adjusted Operating Earnings Margin* (%)	Slightly Higher than 2023	**Similar to 2023**
Adjusted Diluted EPS* ($)	$4.25 to $4.35	$4.25 to $4.35
Capital Expenditures ($)	~$125M	~$125M
Depreciation & Amortization ($)	$120M to $130M	$120M to $130M
Interest Expense	~$59M	**~$60M**
Adjusted Effective Tax Rate* (%)	~21%	~21%
Free Cash Flow (FCF) Conversion** (%)	~100%	~100%

*Non-GAAP Measures: refer to the Appendix of this presentation for additional information and reconciliation
**FCF Conversion Percentage = Free Cash Flow/GAAP Net Earnings

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

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

THE TORO COMPANY

APPENDIX

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

Order Backlog

1. Order backlog at the end of fiscal 2023 was $1.97B, as disclosed in our 10K

2. This is elevated compared to historical levels, driven by sustained demand in underground construction, specialty construction and golf/grounds businesses

3. Order backlog at the end of Q2 2024 is down slightly from the $1.97B, driven by success in driving improved output for underground construction, specialty construction and golf/grounds products

4. For specialty construction, primarily compact utility loaders, supply and demand are coming into balance with improved lead times; with this, order backlog for these products is expected to normalize by the end of 2024

5. For underground construction and golf/grounds businesses, order backlog is expected to remain elevated into 2025, supported by strong demand continuing to outpace supply

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

	Three Months Ended		Six Months Ended	
	May 3, 2024	May 5, 2023	May 3, 2024	May 5, 2023
Net sales	$ 1,349.0	$ 1,339.3	$ 2,350.9	$ 2,488.2
Cost of sales	896.0	859.6	1,553.4	1,612.6
Gross profit	453.0	479.7	797.5	875.6
Gross margin	33.6 %	35.8 %	33.9 %	35.2 %
Selling, general and administrative expense	265.4	260.9	521.3	520.4
Operating earnings	187.6	218.8	276.2	355.2
Interest expense	(16.7)	(14.7)	(32.9)	(28.8)
Other income, net	8.3	6.7	16.0	15.7
Earnings before income taxes	179.2	210.8	259.3	342.1
Income tax provision	34.4	43.3	49.6	67.8
Net earnings	$ 144.8	$ 167.5	$ 209.7	$ 274.3
Basic net earnings per share of common stock	$ 1.39	$ 1.60	$ 2.01	$ 2.62
Diluted net earnings per share of common stock	$ 1.38	$ 1.59	$ 2.00	$ 2.60
Weighted-average number of shares of common stock outstanding — Basic	104.4	104.7	104.4	104.6
Weighted-average number of shares of common stock outstanding — Diluted	104.9	105.6	104.9	105.6

Segment Data (Unaudited)
(Dollars in millions)

	Three Months Ended		Six Months Ended	
Segment net sales	**May 3, 2024**	**May 5, 2023**	**May 3, 2024**	**May 5, 2023**
Professional	$ 1,005.6	$ 1,068.7	$ 1,762.1	$ 1,949.4
Residential	335.6	265.8	575.7	530.5
Other	7.8	4.8	13.1	8.3
Total net sales*	$ 1,349.0	$ 1,339.3	$ 2,350.9	$ 2,488.2
*Includes international net sales of:	$ 268.2	$ 276.4	$ 473.2	$ 521.7

	Three Months Ended		Six Months Ended	
Segment earnings (loss) before income taxes	**May 3, 2024**	**May 5, 2023**	**May 3, 2024**	**May 5, 2023**
Professional	$ 190.7	$ 227.5	$ 303.5	$ 371.6
Residential	36.1	22.7	59.6	60.5
Other	(47.6)	(39.4)	(103.8)	(90.0)
Total segment earnings before income taxes	$ 179.2	$ 210.8	$ 259.3	$ 342.1

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

	May 3, 2024	May 5, 2023	October 31, 2023
ASSETS			
Cash and cash equivalents	$ 188.8	$ 151.3	$ 193.1
Receivables, net	623.1	462.0	407.4
Inventories, net	1,105.0	1,127.5	1,087.8
Prepaid expenses and other current assets	102.3	86.0	110.5
Total current assets	2,019.2	1,826.8	1,798.8
Property, plant, and equipment, net	637.8	605.8	641.7
Goodwill	450.7	584.6	450.8
Other intangible assets, net	522.7	568.4	540.1
Right-of-use assets	117.3	71.9	125.3
Investment in finance affiliate	51.7	53.2	50.6
Deferred income taxes	31.0	11.3	14.2
Other assets	21.8	19.4	22.8
Total assets	$ 3,852.2	$ 3,741.4	$ 3,644.3

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

	May 3, 2024	May 5, 2023	October 31, 2023
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	$ 13.5	$ —	$ —
Accounts payable	512.4	514.8	430.0
Accrued liabilities	503.2	493.3	499.1
Short-term lease liabilities	19.6	15.9	19.5
Total current liabilities	1,048.7	1,024.0	948.6
Long-term debt, less current portion	1,003.3	1,041.2	1,031.5
Long-term lease liabilities	103.2	58.0	112.1
Deferred income taxes	0.4	18.5	0.4
Other long-term liabilities	45.2	39.7	40.8
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	104.0	104.1	103.8
Retained earnings	1,583.2	1,485.1	1,444.1
Accumulated other comprehensive loss	(35.8)	(29.2)	(37.0)
Total stockholders' equity	1,651.4	1,560.0	1,510.9
Total liabilities and stockholders' equity	$ 3,852.2	$ 3,741.4	$ 3,644.3

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

	Six Months Ended	
	May 3, 2024	May 5, 2023
Cash flows from operating activities:		
Net earnings	$ 209.7	$ 274.3
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Non-cash income from finance affiliate	(10.4)	(8.7)
Distributions from (contributions to) finance affiliate, net	9.3	(5.2)
Depreciation of property, plant, and equipment	43.4	38.3
Amortization of other intangible assets	17.5	17.9
Stock-based compensation expense	15.3	10.7
Other	0.6	0.9
Changes in operating assets and liabilities, net of the effect of acquisitions:		
Receivables, net	(214.6)	(127.2)
Inventories, net	(15.6)	(75.5)
Other assets	(1.0)	(7.7)
Accounts payable	81.0	(64.6)
Other liabilities	(0.1)	8.5
Net cash provided by operating activities	135.1	61.7

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

	Six Months Ended	
	May 3, 2024	May 5, 2023
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(39.5)	(70.1)
Proceeds from insurance claim	—	7.1
Proceeds from asset disposals	0.1	0.3
Proceeds from divestitures	1.9	—
Net cash used in investing activities	(37.5)	(62.7)
Cash flows from financing activities:		
Net (repayments) borrowings under the revolving credit facility[1]	(15.0)	50.0
Proceeds from exercise of stock options	1.9	17.6
Payments of withholding taxes for stock awards	(2.5)	(2.8)
Purchases of TTC common stock	(10.0)	(24.3)
Dividends paid on TTC common stock	(75.1)	(71.1)
Other	(2.7)	(1.6)
Net cash used in financing activities	(103.4)	(32.2)
Effect of exchange rates on cash and cash equivalents	1.5	(3.7)
Net decrease in cash and cash equivalents	(4.3)	(36.9)
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	$ 188.8	$ 151.3

[1] Presentation of prior year revolving credit facility and long-term debt activity has been conformed to the current year presentation. There was no change to net cash used in financing activities.

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 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 3, 2024 and May 5, 2023:

	Three Months Ended		Six Months Ended	
	May 3, 2024	May 5, 2023	May 3, 2024	May 5, 2023
Gross profit	$ 453.0	$ 479.7	$ 797.5	$ 875.6
Acquisition-related costs[1]	—	—	—	0.2
Adjusted gross profit	$ 453.0	$ 479.7	$ 797.5	$ 875.8
Operating earnings	$ 187.6	$ 218.8	$ 276.2	$ 355.2
Acquisition-related costs[1]	—	—	—	0.5
Productivity initiative[2]	4.4	—	8.3	—
Adjusted operating earnings	$ 192.0	$ 218.8	$ 284.5	$ 355.7
Operating earnings margin	13.9 %	16.3 %	11.7 %	14.3 %
Productivity initiative[2]	0.3 %	— %	0.4 %	— %
Adjusted operating earnings margin	14.2 %	16.3 %	12.1 %	14.3 %

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 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 3, 2024 and May 5, 2023:

	Three Months Ended		Six Months Ended	
	May 3, 2024	May 5, 2023	May 3, 2024	May 5, 2023
Earnings before income taxes	$ 179.2	$ 210.8	$ 259.3	$ 342.1
Acquisition-related costs[1]	—	—	—	0.5
Productivity initiative[2]	4.4	—	8.3	—
Adjusted earnings before income taxes	$ 183.6	$ 210.8	$ 267.6	$ 342.6
Income tax provision	$ 34.4	$ 43.3	$ 49.6	$ 67.8
Acquisition-related costs[1]	—	—	—	0.1
Productivity initiative[2]	0.9	—	1.7	—
Tax impact of share-based compensation[3]	1.0	1.1	2.5	4.7
Adjusted income tax provision	$ 36.3	$ 44.4	$ 53.8	$ 72.6
Net earnings	$ 144.8	$ 167.5	$ 209.7	$ 274.3
Acquisition-related costs, net of tax[1]	—	—	—	0.4
Productivity initiative, net of tax[2]	3.5	—	6.6	—
Tax impact of share-based compensation[3]	(1.0)	(1.1)	(2.5)	(4.7)
Adjusted net earnings	$ 147.3	$ 166.4	$ 213.8	$ 270.0

THE TORO COMPANY AND SUBSIDIARIES
Reconciliation of Non-GAAP Financial Measures (Unaudited)
(Dollars in millions, except per-share data)

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	Three Months Ended		Six Months Ended	
	May 3, 2024	May 5, 2023	May 3, 2024	May 5, 2023
Net earnings per diluted share	$ 1.38	$ 1.59	$ 2.00	$ 2.60
Productivity initiative, net of tax[2]	0.03	—	0.06	—
Tax impact of share-based compensation[3]	(0.01)	(0.01)	(0.02)	(0.04)
Adjusted net earnings per diluted share	$ 1.40	$ 1.58	$ 2.04	$ 2.56
Effective tax rate	19.2 %	20.6 %	19.1 %	19.8 %
Tax impact of share-based compensation[3]	0.6 %	0.5 %	1.0 %	1.4 %
Adjusted effective tax rate	19.8 %	21.1 %	20.1 %	21.2 %

1 On January 13, 2022, the company completed the acquisition of Intimidator Group. Acquisition-related costs for the six month period ended May 5, 2023 represent integration costs.

2 In the first quarter of fiscal 2024, the company launched the "Amplifying Maximum Productivity" or AMP initiative. The company considered the nature, frequency, and scale of this initiative compared to prior productivity initiatives when determining that the expenses associated with AMP, unlike prior productivity initiatives, are not common, normal, recurring operating expenses and are not representative of the company's ongoing business operations. Productivity initiative charges for the three and six month periods ended May 3, 2024 primarily represent third-party consulting costs.

3 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 3, 2024 and May 5, 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 six month periods ended May 3, 2024 and May 5, 2023:

	Six Months Ended	
(Dollars in millions)	**May 3, 2024**	**May 5, 2023**
Net cash provided by operating activities	$ 135.1	$ 61.7
Less: Purchases of property, plant and equipment, net of proceeds from insurance claim	39.5	63.0
Free cash flow	95.6	(1.3)
Net earnings	$ 209.7	$ 274.3
Free cash flow conversion percentage	45.6 %	(0.5)%

Gross Debt to EBITDA Ratio

($ millions)	Q3 23	Q4 23	Q1 24	Q2 24	Total
Short Term Debt	-	-	-	-	-
Long Term Debt	$1,061.3	$1,031.5	$1,186.6	$1,016.8	$1,016.8
Gross Debt	**$1,061.3**	**$1,031.5**	**$1,186.6**	**$1,016.8**	**$1,016.8**
Earnings Before Income Taxes	**($28.6)**	**$86.9**	**$80.1**	**$179.2**	**$317.6**
Interest Expense	$15.0	$14.9	$16.2	$16.7	$62.8
Depreciation and Amortization	$27.2	$35.8	$30.7	$30.2	$123.9
EBITDA	**$13.6**	**$137.6**	**$127.0**	**$226.1**	**$504.3**
Leverage Ratio					**2.0x**