



# THE TORO COMPANY

DECEMBER 21, 2022

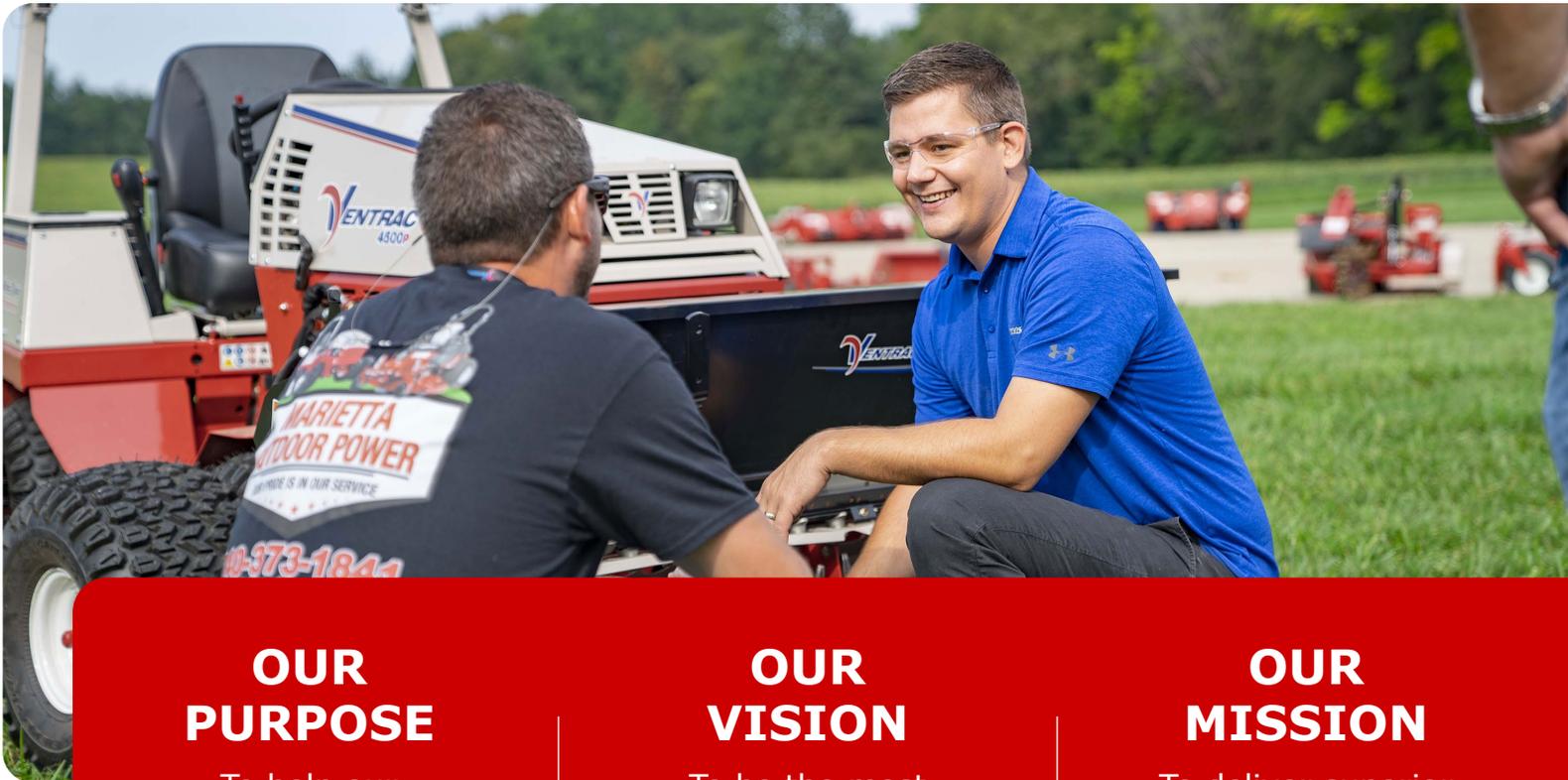


# Safe Harbor

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 "Drive for Five" employee initiative financial goals. 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 year ending October 31 figures*



# 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.



# An Innovative Professional & Residential Solutions Company



## LEADERSHIP IN ATTRACTIVE MARKETS

Provides a strong foundation for future growth



## BROAD ARRAY OF INNOVATIVE PRODUCTS

Gas / Battery / Electric / Hybrid / Smart / Connected / Autonomous



## COMPLEMENTARY BUSINESSES

Drive brand and innovation leverage in high value spaces



## BRAND LEADERSHIP

With a distinguished portfolio of brands



## DISCIPLINED EXECUTION

Leveraging a strong balance sheet that provides financial flexibility



## >100 YEARS

Of innovation and deep relationships

## 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

# Building on Our Expertise to Drive Our Future



The Toro Company is leveraging rich **heritage** and **deep expertise** to drive the business forward



# Supported on a Foundation of Delivering Consistent Financial Results



**+8.7%**  
**NET SALES**  
**CAGR\***

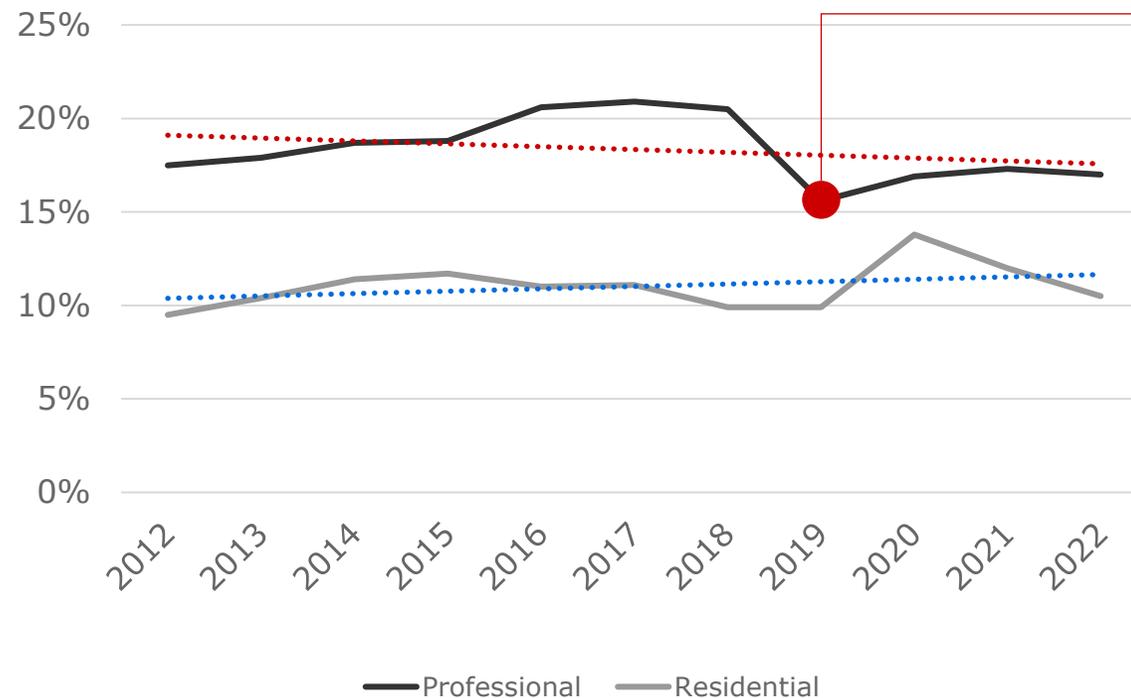
**+14.7%**  
**ADJUSTED**  
**EPS CAGR\*,\*\***

**+24.4%**  
**AVERAGE**  
**ROIC\*,\*\***

# ...with Attractive Operating Margins for Leveraged Growth Across the Portfolio



Operating Margin History



**2019**  
Charles Machine Works acquisition driving significant synergies going forward

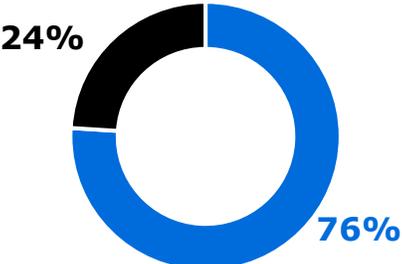
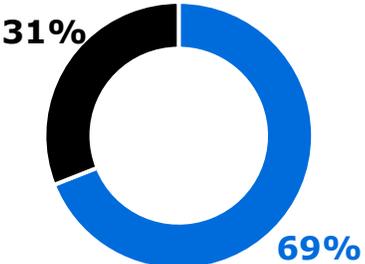
**Average 2012 – 2022:**  
PRO 18.3%;  
RES 11.0%

# Diversified and Complementary Portfolio Enables Scale While Reducing Seasonality...

**2012  
NET SALES  
\$1.96B**

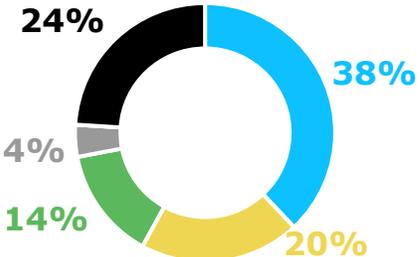
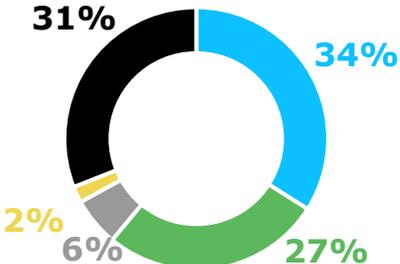
**2022  
NET SALES  
\$4.51B**

By Segment



Professional Residential Landscape and Grounds

By End Market



Underground & Specialty Construction Golf Agricultural Micro Irrigation

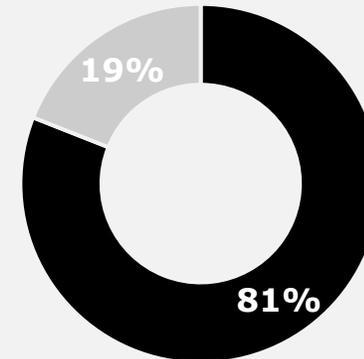
**While both segments have grown, higher-margin Professional segment has become a larger portion of net sales**

# Serving Customers Throughout the World



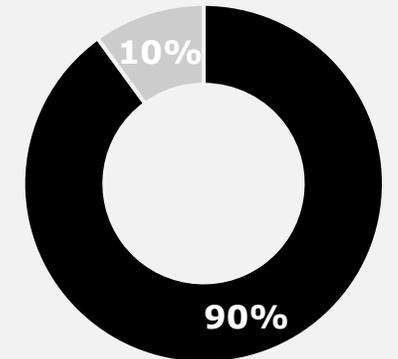
## 2022 Net Sales

By Geographic Market



■ U.S. ■ Outside U.S.

By Product Type



■ Equipment ■ Irrigation

# Together, These Key Differentiators Make Our Company Strong

## Grass grows, snow falls, & infrastructure ages

creates demand for our products

## Regular product replacement

creates recurring revenue tailwind

## Extensive distribution, service and support network

creates competitive advantage across both segments

## Significant innovation

creates synergies across all product categories

## Durable & steady free cash flow generation

creates funding for profitable growth investments

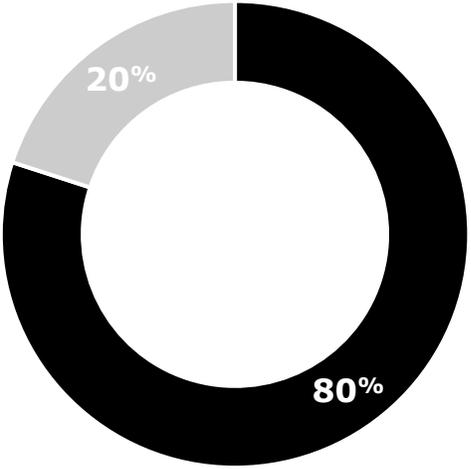
## All-season capability & sector exposure

creates stable and sustainable earnings

**TTC is well-positioned in attractive end markets**

# Our Professional Segment at a Glance

## 2022 Geographic Net Sales Profile



■ U.S. ■ Outside U.S.

2012

**68%**  
OF TOTAL COMPANY NET SALES

**\$1.33B**  
NET SALES

**17.3%**  
OPERATING MARGIN

2022

**76%**  
OF TOTAL COMPANY NET SALES

**\$3.43B**  
NET SALES

**17.0%**  
OPERATING MARGIN

**Strong Today, Building for Tomorrow**

# Operating From a Position of Strength



## Strong Market Position

Addressing a variety of attractive end markets with steady replacement cycles

**#1 or #2**  
market share in many  
of the markets we serve



## Delivering Results

Driving considerable revenues within the total company portfolio, at higher margins

PRO net sales  
**CAGR of 13.6%**  
over last 5 years



## Significant Runway for Future Growth

Innovation combined with best-in-class distribution/service networks creates high barriers to entry

We have **expanded our portfolio and reach** in fast growing end markets

# Diversified Customer Base

We Provide Solutions to a Wide Array of Professionals Globally



- Landscape Contractors
- Golf Courses
- Municipalities
- Sports Fields & Grounds
- Communications Contractors
- Utility Companies
- Rental Companies
- Agribusiness

# New Product Introductions Drive Long-Term Growth



**Feb 2021:**

Ditch Witch JT28 Directional Drill



**Oct 2021:**

Exmark 144-in. Lazer Z Diesel Zero-Turn Mower



**Oct 2021:**

Revolution Series battery-powered stand-on and zero-turn mowers



**Feb 2022:**

GeoLink Solutions Autonomous Hybrid Fairway Mower

**Leveraging technology and innovation to help customers increase productivity, address labor challenges and achieve sustainability goals**

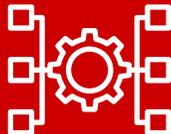
# Demand Drivers in the Professional Segment are Strong

Regular Replacement Cycles



1

Aging and Expanding Infrastructure



2

Resurgence in Golf



3



# Our Professional Solutions are Essential To Our Customers



Heavy utilization rates drive regular replacement

Necessary nature of our products supports demand

Preference for OEM parts

Access to trusted service and support network is critical



Typical replacement cycle for contractors is about 3-5 years for turf equipment



Typical lease duration for golf equipment is 3 years



Extensive service and support network provides prompt access to parts and service

**Leading to consistent replacement and servicing cycle**

# Infrastructure Investment is Increasing Globally



Well positioned to benefit from government infrastructure spending globally

Specialization in Underground equipment provides significant multi-year opportunity

TTC has the most comprehensive underground and specialty construction equipment and brand line up in the industry

## Key Gov't Investment Areas

 Transportation Infrastructure

 Broadband Buildout

 Electric Grid Update

 Improved Water Quality

 Climate Change Protection

**Government spending priorities are providing an additional demand tailwind to an already attractive end market**

# Golf is Experiencing a Resurgence in Popularity Worldwide



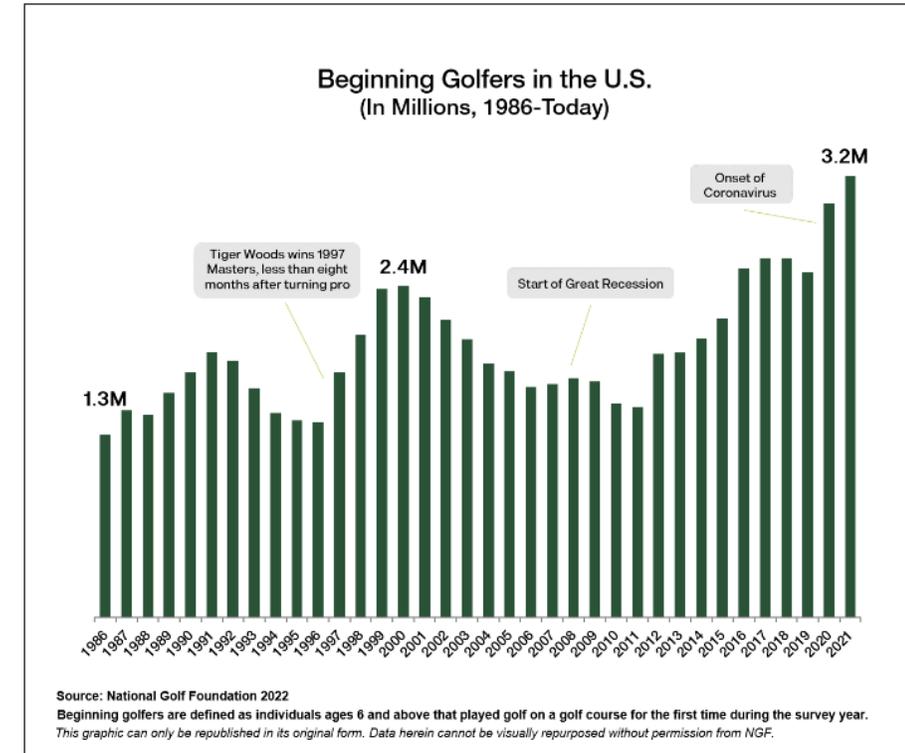
Increased engagement in golf driven by pandemic trends, off-course forms of the game, and a more favorable public outlook in general

US golf rounds played increased 5.5% in 2021, on top of 13.9% growth in 2020

(Source: National Golf Foundation)

TTC is the only company to offer both equipment and irrigation solutions, a competitive advantage

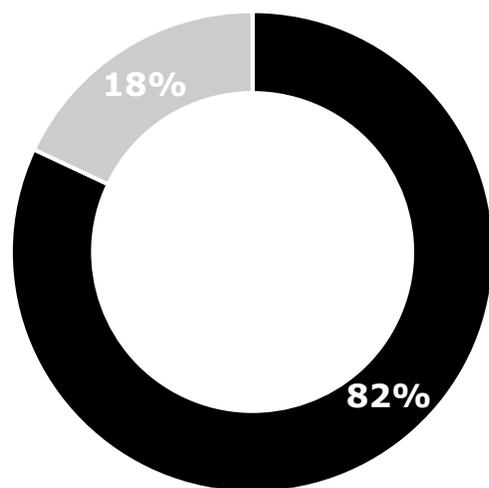
We are the market share leader in both turf equipment and irrigation - built on over 100 years of innovation and deep relationships



**This resurgence is supporting healthy golf course budgets and investment**

# Our Residential Segment At a Glance

## 2022 Geographic Net Sales Profile



■ U.S. ■ Outside U.S.

2012

**31%**

OF TOTAL COMPANY NET SALES

**\$0.61B**

NET SALES

**9.4%**

OPERATING MARGIN

2022

**24%**

OF TOTAL COMPANY NET SALES

**\$1.07B**

NET SALES

**10.5%**

OPERATING MARGIN

**Strong Today, Building for Tomorrow**

# Underpinned by Expansive Channels, Innovation Leverage & Strong Brands



## Strong Go-To-Market Position

Diversified global distribution & service channel creates significant customer reach

Leveraging mass retailer partnerships with over **8,000\*** locations and built-in omnichannel solutions, plus a network of **4,000+** independent dealers globally



## Delivering Results

Investment in refreshed product line-up, brand marketing, and expanded placement has reset this business

Residential net sales  
**CAGR of 9.7%**  
over last 5 years



## Path to Future Growth

A power brand across all product categories

Robotic, battery-powered, smart connected mower features the **industry's first** vision-based, wire-free navigation system

# Well Positioned for Future Growth with a Full Suite of Offerings for Homeowners



Our full-suite of zero emission solutions for homeowners includes 50+ tools and counting. One system to finish everything without sacrificing anything – power without compromise.

**Further expansion into handheld and chore products end market through our 60V offerings provides incremental growth opportunity**

# Professional & Residential Segments are Stronger Together



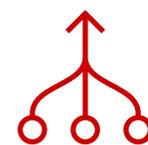
## Customer First

Targeted approach to addressing unmet needs



## R&D

Sustained 3.5%+ of net sales annual investment



## M&A

Expanding portfolio and capitalizing on synergies



**Driving market share gains, margin expansion and brand recognition**

**Demand drivers across Professional and Residential segments coupled with R&D investments enables a long runway of profitable growth and attractive margins**

# Technology Pillars: Addressing the Megatrend Opportunity

We don't just make products,  
*we solve problems*

All of our solutions are  
engineered, field tested and  
refined to ensure the highest  
standards of performance,  
reliability and safety

TTC's Center for Technology  
Research & Innovation consists  
of a dedicated team of  
agronomists and engineers who  
are a catalyst for holistic  
innovation across the enterprise

## Alternative Power & Electrification

- Zero exhaust emissions
- Quiet operation
- Easier maintenance
- Addressing regulations

## Smart Connected Products

- Driving productivity
- Loyal relationships
- Data/customer insights
- Subscription services

## Autonomous Solutions

- Addressing labor shortages
- Improving consistency of results

**Product Innovation Leveraged Across the Portfolio Drives  
Significant Opportunity**

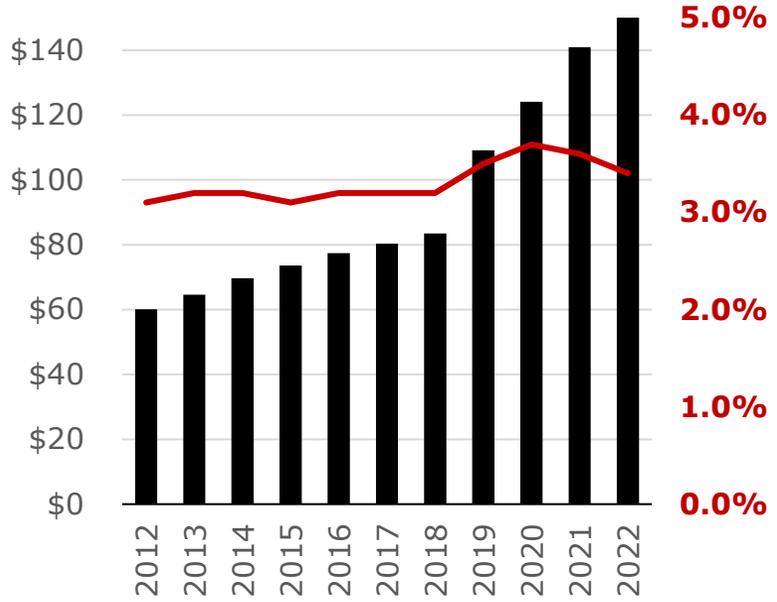


2021 autonomous technology  
accelerating acquisitions

# Leadership Through Innovation Drives Market Share Gains and Attractive Margins

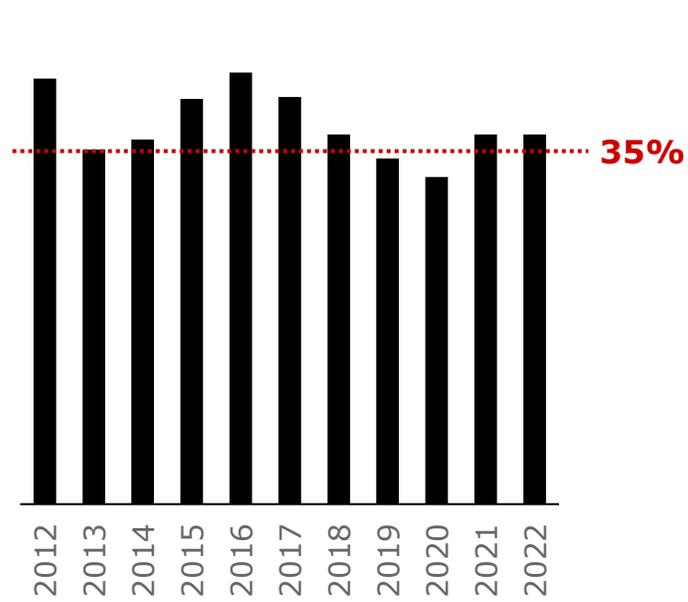


R&D Investment and % of Net Sales\*



**Organic growth driven by prioritized R&D spend**

Vitality Index\*\*



**Resonating with customers as evidenced by strong Vitality Index\*\***

\*Bars reflect R&D expense in USD millions; Red line reflects R&D expense as a percentage of net sales  
\*\*Percentage of net sales from new products introduced over the prior three years

# Sustainability is Deeply Rooted in Our Company Purpose, Actions and Strategic Business Priorities



## Sustainability Performance Goals:

Increase **battery and hybrid product** sales to at least 20% of total adjusted\* net sales (motorized product sales) by fiscal 2025

Reduce absolute **Scope 1 and 2 greenhouse gas emissions** by at least 15% by fiscal 2025 as compared to fiscal 2019

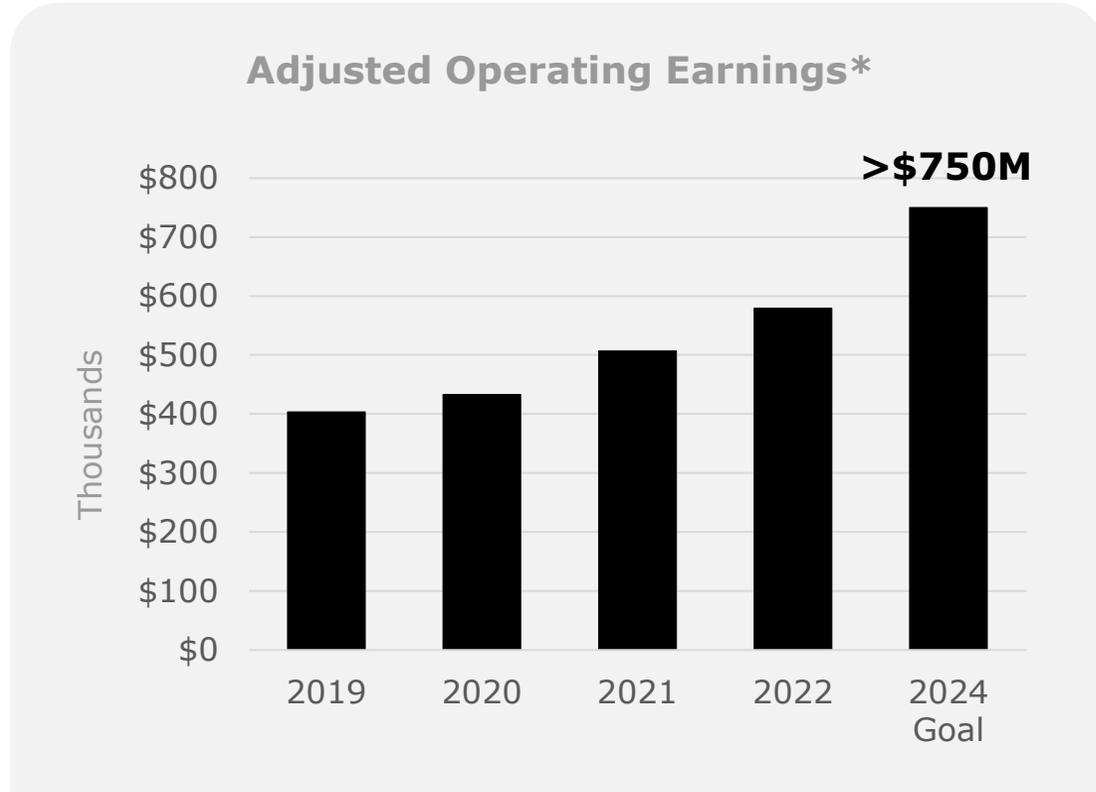
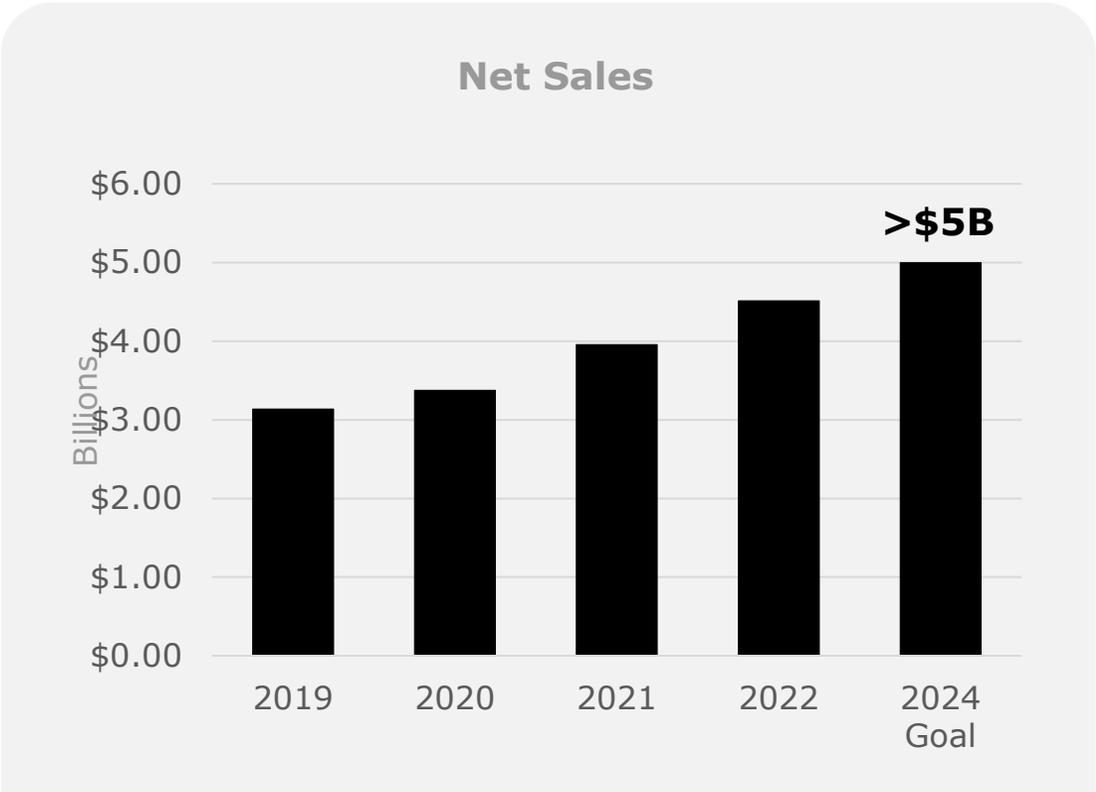
Increase the number of **women and racial and ethnic minorities** in leadership positions by at least 20% by fiscal 2025 as compared to fiscal 2021

Aligned with six specific United Nations Sustainable Development Goals where we are best positioned to make a significant contribution



# "Drive for Five" Initiative: 2022-2024

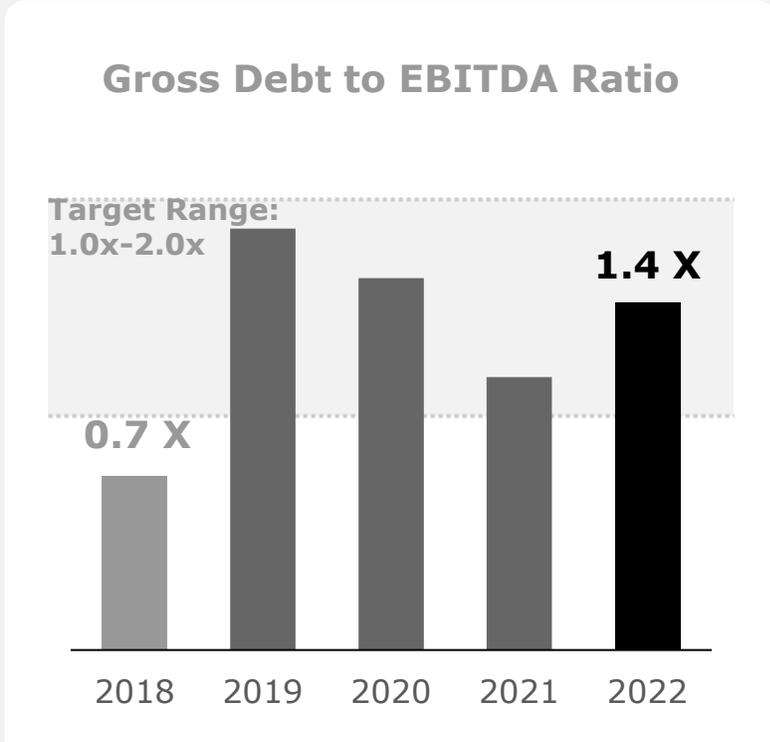
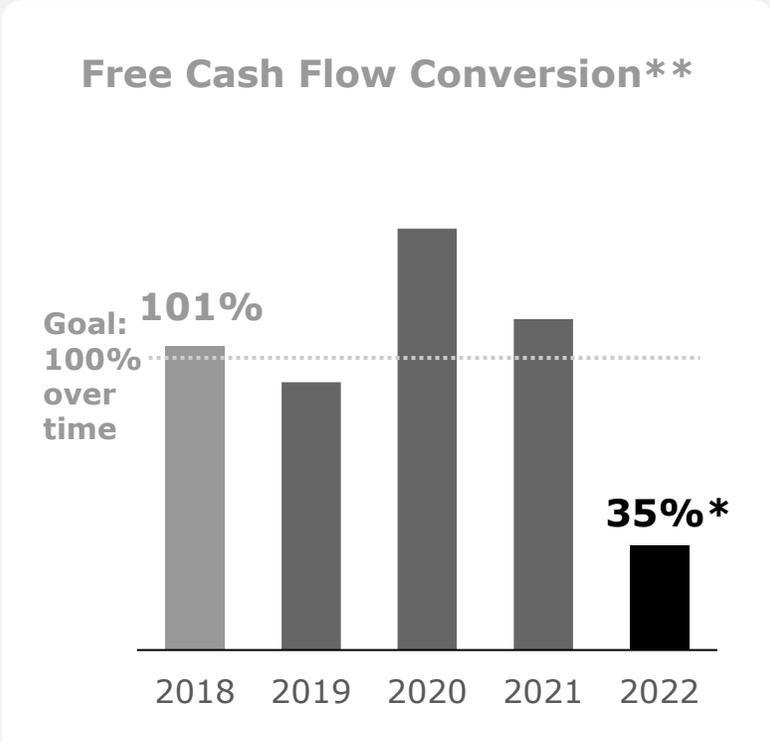
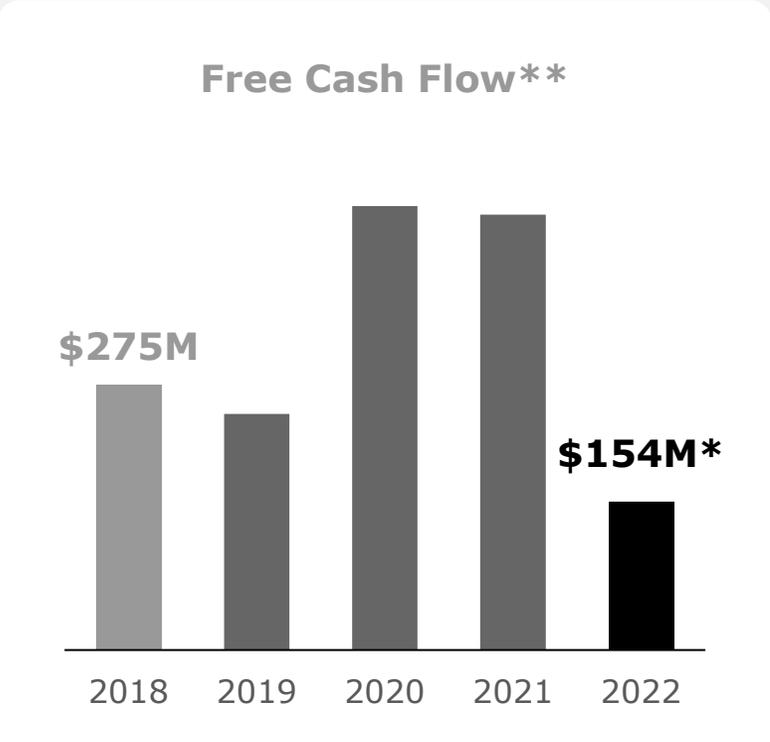
Employee initiatives drive profitable growth across the enterprise



Employee rewards aligned with stretch goals create engagement at all levels

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

# Strong Balance Sheet and Resilient Free Cash Flow



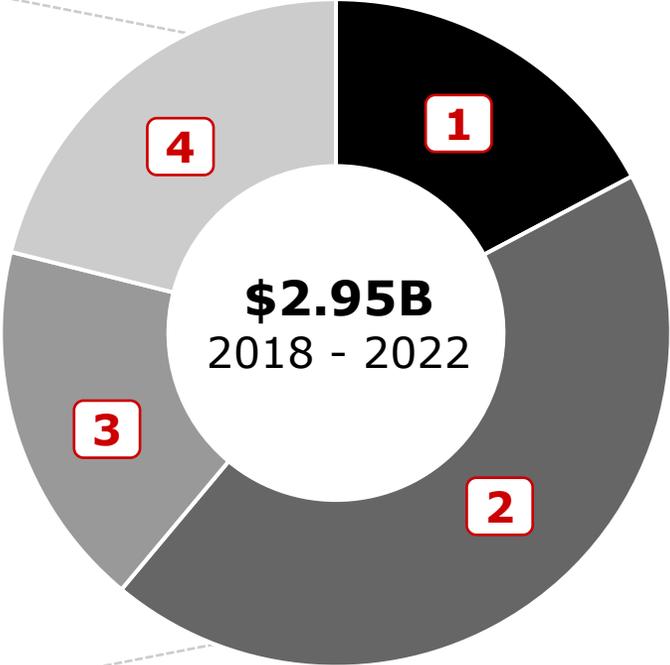
**Provides solid foundation for capital deployment priorities**

\*2022 conversion rate reflects incremental investment in working capital to better serve our customers in the constrained supply environment; 2023 expected to normalize back to ~100%  
\*\*Non-GAAP Measures: refer to the Appendix of this presentation for additional information and reconciliation

# Capital Allocation Strategy

Prioritized allocation of cash from operating activities

- 1 Capital expenditures - supporting organic growth with high returns
- 2 Strategic acquisitions - disciplined process and proven track record
- 3 Regular dividends - increases commensurate with earnings growth\*
- 4 Share repurchases - goal to at least offset dilution over time



- Capital Expenditures
- Strategic Acquisitions
- Dividends
- Share Repurchases

Balanced approach to capital allocation has resulted in strategic investments driving significant growth and the return of more than \$1B to shareholders over the last 5 years

# Acquisitions Have Played a Key Role in Our Profitable Growth Strategy and Remain a Focus

Date of Acquisition	Investment Rationale	Annual Revenue Pre-Acquisition (in USD)
 <p><b>CHARLES MACHINE WORKS</b> THE UNDERGROUND AUTHORITY</p> <p><b>2019</b></p>	<ul style="list-style-type: none"> <li>• Strengthen professional segment</li> <li>• Significant synergy opportunities</li> <li>• Exclusive and comprehensive distribution network</li> <li>• Strong brands</li> <li>• Attractive niche end market with high barriers to entry</li> </ul>	<p><b>\$725M</b></p>
 <p><b>2020</b></p>	<ul style="list-style-type: none"> <li>• Strengthen professional segment</li> <li>• Leverage distribution networks</li> <li>• Strong brand</li> <li>• Expanded product offering to customers in the turf, landscape, and snow and ice maintenance categories</li> </ul>	<p><b>\$100M</b></p>
 <p><b>2021</b></p>	<ul style="list-style-type: none"> <li>• Autonomous technology accelerators across entire portfolio</li> <li>• Talented teams</li> </ul>	<p><b>N/A</b></p>
 <p><b>2022</b></p>	<ul style="list-style-type: none"> <li>• Strengthen professional segment</li> <li>• Complementary Spartan brand in attractive zero-turn mower market</li> <li>• Procurement and design synergies within portfolio</li> </ul>	<p><b>\$200M</b></p>

# Key Takeaways

- 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**

Favorable macro factors, regular 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 capacity for strategic investments and disciplined approach to capital allocation delivers value to all stakeholders





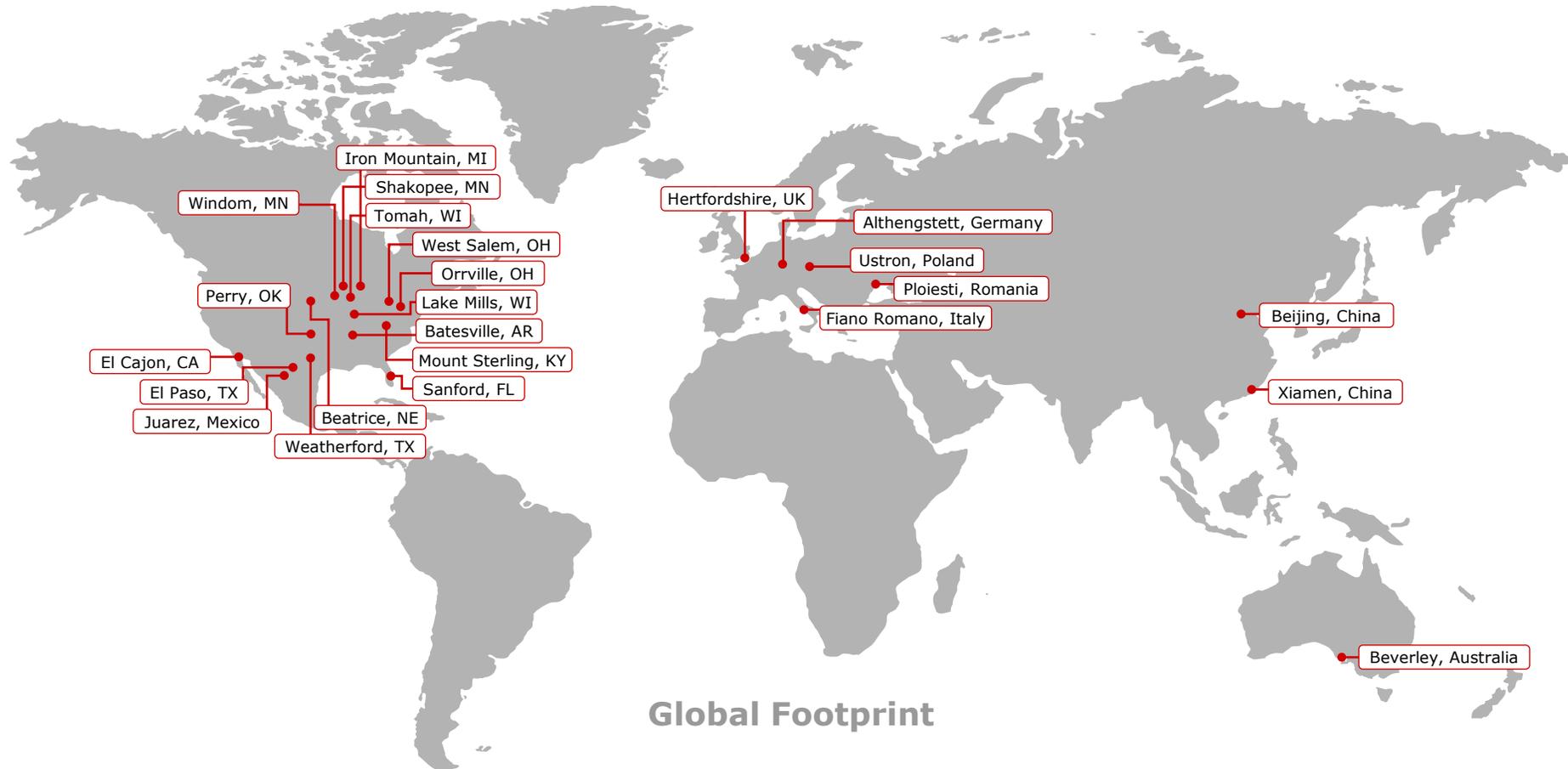
# APPENDIX

# Our Portfolio of Brands



# Appendix

## Manufacturing Locations



Global Footprint

**Although the Toro Company has a global footprint, over 90% of our manufacturing hours are attributable to North America operations**

# 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 EBITDA.
- 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.

# Net Sales

(\$ in millions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Sales	\$1,958.7	\$2,041.4	\$2,172.7	\$2,390.9	\$2,392.2	\$2,505.2	\$2,618.7	\$3,138.1	\$3,378.8	\$3,959.6	\$4,514.7

# Adjusted EPS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>EPS, diluted - GAAP</b>	<b>\$1.07</b>	<b>\$1.31</b>	<b>\$1.51</b>	<b>\$1.78</b>	<b>\$2.06</b>	<b>\$2.41</b>	<b>\$2.50</b>	<b>\$2.53</b>	<b>\$3.03</b>	<b>\$3.78</b>	<b>\$4.20</b>
Acquisition-related costs	-	-	-	-	-	-	-	\$0.47	\$0.05	-	\$0.03
Management actions	-	-	-	-	-	-	-	\$0.13	\$0.01	-	-
Tax impact of stock-based compensation	-	-	-	-	-	(\$0.18)	(\$0.13)	(\$0.12)	(\$0.07)	(\$0.08)	(\$0.03)
Other*	-	-	-	-	-	-	\$0.30	(\$0.01)	-	(\$0.08)	-
<b>EPS, diluted - Adjusted</b>	<b>\$1.07</b>	<b>\$1.31</b>	<b>\$1.51</b>	<b>\$1.78</b>	<b>\$2.06</b>	<b>\$2.23</b>	<b>\$2.67</b>	<b>\$3.00</b>	<b>\$3.02</b>	<b>\$3.62</b>	<b>\$4.20</b>

# Gross Debt to EBITDA Ratio

	2018	2019	2020	2021	2022
Short Term Debt	-	\$79,914	\$99,873	-	-
Long Term Debt	\$312,549	\$620,899	\$691,250	\$691,242	\$990,768
<b>Gross Debt</b>	<b>\$312,549</b>	<b>\$700,813</b>	<b>\$791,123</b>	<b>\$691,242</b>	<b>\$990,768</b>
<b>Earnings Before Income Taxes</b>	<b>\$372,397</b>	<b>\$322,133</b>	<b>\$407,070</b>	<b>\$499,818</b>	<b>\$552,546</b>
Interest Expense	\$19,096	\$28,835	\$33,156	\$28,659	\$35,738
Depreciation and Amortization	\$61,277	\$87,698	\$95,615	\$99,316	\$108,809
<b>EBITDA</b>	<b>\$452,770</b>	<b>\$438,666</b>	<b>\$535,841</b>	<b>\$627,793</b>	<b>\$697,093</b>
<b>Leverage Ratio</b>	<b>0.7x</b>	<b>1.6x</b>	<b>1.5x</b>	<b>1.1x</b>	<b>1.4x</b>

# Return on Average Invested Capital (%)\*

(\$ in millions)	2012	2013	2014	2015	2016	2017*	2018*	2019*	2020*	2021*	2022*
Adj. Op. Earnings* (1-Adj. Tax Rate)	\$135.7	\$157.5	\$178.4	\$207.2	\$233.7	\$249.3	\$290.6	\$325.8	\$343.3	\$407.6	\$462.6
Avg. Quarterly Capital Utilized	\$544.1	\$579.5	\$649.1	\$852.7	\$910.1	\$935.4	\$944.0	\$1,437.0	\$1,910.3	\$1,962.6	\$2,367.5
<b>ROIC</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>	<b>20.8%</b>	<b>19.5%</b>

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

\*Non-GAAP Measure: F'17 through F'22 ROIC are calculated with Adjusted Operating Earnings, Adjusted Effective Tax Rate and Adjusted Net Earnings

# Free Cash Flow Generation

(\$ in millions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Cash Flow	\$199.9	\$234.4	\$196.9	\$249.6	\$384.3	\$360.7	\$364.8	\$337.4	\$539.4	\$555.5	\$297.2
Capital Expenditures	(\$43.2)	(\$49.4)	(\$71.1)	(\$56.4)	(\$50.7)	(\$58.3)	(\$90.1)	(\$92.9)	(\$78.1)	(\$104.0)	(\$143.5)
<b>FCF</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>\$451.5</b>	<b>\$153.7</b>
<b>FCF Conversion*</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>	<b>110%</b>	<b>35%</b>

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