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SNAP ON INC
Form 8-K
April 15, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) April 15, 2005

Snap-on Incorporated
(Exact name of registrant as specified in its charter)

| | | |
|---|--------------------------|---|
| Delaware ----- | 1-7724 ----- | 39-0622040 ----- |
| (State or other jurisdiction of incorporation or organization) | (Commission File Number) | (I.R.S. Employer Identification No.) |

10801 Corporate Drive, Pleasant Prairie, Wisconsin 53158-1603

(Address of principal executive offices)

Registrant's telephone number, including area code: (262) 656-5200

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Snap-on's business segments are based on the organization structure used by management for making operating and investment decisions and for assessing performance. Snap-on's reportable business segments include: (i) the Snap-on Dealer Group; (ii) the Commercial and Industrial Group; (iii) the Diagnostics and Information Group; and (iv) Financial Services. The Snap-on Dealer Group consists of Snap-on's business operations serving the worldwide franchised dealer van channel. The Commercial and Industrial Group consists of the business operations providing tools and equipment products and equipment repair services to a broad range of industrial and commercial customers worldwide through direct, distributor and other non-franchised distribution channels. The Diagnostics and Information Group consists of the business operations providing diagnostics equipment, vehicle-service information, business management systems, and other solutions for vehicle service to customers in the worldwide vehicle service and repair marketplace. Financial Services became a business segment in fiscal 2004 as a result of the prospective adoption of FIN No. 46R, "Consolidation of Variable Interest Entities (an interpretation of ARB No. 51)". Financial Services consists of the business operations of Snap-on Credit LLC ("SOC"), a consolidated 50%-owned joint venture between Snap-on and The CIT Group, Inc., and Snap-on's wholly owned finance subsidiaries in those international markets where Snap-on has dealer operations. See Notes 2 and 9 to the financial statements contained in Snap-on's 2004 Annual Report on Form 10-K for further discussion of SOC and the company's adoption of FIN No. 46R.

Snap-on evaluates the performance of its operating segments based on segment revenues and operating earnings, exclusive of financing activities and income taxes. Segment revenues are defined as total revenues, including both external customer revenue and intersegment revenue. Segment operating earnings are defined as segment revenues less cost of goods sold and operating expenses, including restructuring costs. Snap-on accounts for intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. Identifiable assets by segment are those assets used in the respective reportable segment's operations. Intersegment amounts are eliminated to arrive at consolidated financial results.

Due to recent changes in Snap-on's management organization structure, Snap-on realigned its business segments during the first quarter of fiscal 2005. The primary changes include the transfer of Snap-on's Technical Representative support organization from the Snap-on Dealer Group to the Diagnostics and Information Group and the segregation of Snap-on's general corporate expenses from the operating earnings of the business segments. Prior to fiscal 2005, shared services and general corporate expenses and corporate assets were allocated to the business segments based on segment revenues. Beginning in fiscal 2005, the business segments are charged only for those shared services utilized by the business segment based on an estimate of the value of services provided; general corporate expenses and corporate assets are not allocated to the business segments. Corporate assets consist principally of those assets that are centrally managed including cash and cash equivalents, short-term investments, debt, pension assets and income taxes, as well as corporate real estate and related assets.

As required by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," all future consolidated financial statements issued by Snap-on will reflect the reclassification of previously published segment data as a result of the above-mentioned changes in Snap-on's fiscal 2005 management organization

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structure. The information included in this Form 8-K affects only disclosures related to segment results and does not in any way restate or revise the consolidated financial position, results of operations or cash flows in any previously reported Consolidated Statements of Earnings, Consolidated Balance Sheets or Consolidated Statements of Cash Flows of Snap-on.

The accompanying quarterly and full-year segment information for fiscal 2004 and 2003 reflects the fiscal 2005 reportable business segment changes noted above. The restated quarterly and full-year fiscal 2003 segment disclosures do not include the Financial Services segment due to the prospective adoption of FIN No. 46R at the beginning of fiscal 2004.

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SNAP-ON INCORPORATED
Fiscal 2004 Segment Information
(Amounts in millions)
(unaudited)

| | Three Months Ended | | | |
|-----------------------------------|--------------------|-----------------|--------------------|--------------------|
| | April 3, 2004 | July 3, 2004 | October 2, 2004 | January 2, 2005 |
| External revenue | | | | |
| Snap-on Dealer Group | \$ 262.9 | \$ 261.1 | \$ 248.9 | \$ |
| Commercial and Industrial Group | 252.2 | 250.4 | 226.1 | |
| Diagnostics and Information Group | 80.0 | 79.8 | 75.9 | |
| Financial Services | 21.2 | 20.8 | 17.9 | |
| | ----- | ----- | ----- | ----- |
| Total external revenue | \$ 616.3 | \$ 612.1 | \$ 568.8 | \$ |
| | ===== | ===== | ===== | ===== |
| Intersegment revenue | | | | |
| Snap-on Dealer Group | \$ - | \$ - | \$ - | |
| Commercial and Industrial Group | 30.6 | 32.5 | 29.1 | |
| Diagnostics and Information Group | 38.2 | 34.9 | 53.3 | |
| Financial Services | - | - | - | |
| | ----- | ----- | ----- | ----- |
| Total intersegment revenue | \$ 68.8 | \$ 67.4 | \$ 82.4 | \$ |
| | ===== | ===== | ===== | ===== |
| Total revenue | | | | |
| Snap-on Dealer Group | \$ 262.9 | \$ 261.1 | \$ 248.9 | \$ |
| Commercial and Industrial Group | 282.8 | 282.9 | 255.2 | |
| Diagnostics and Information Group | 118.2 | 114.7 | 129.2 | |
| Financial Services | 21.2 | 20.8 | 17.9 | |
| | ----- | ----- | ----- | ----- |
| Segment revenue | 685.1 | 679.5 | 651.2 | |
| Intersegment eliminations | (68.8) | (67.4) | (82.4) | |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|-----------------------------------|----------|----------|----------|----|
| Consolidated revenue | \$ 616.3 | \$ 612.1 | \$ 568.8 | \$ |
| Operating earnings | | | | |
| Snap-on Dealer Group | \$ 14.9 | \$ 30.0 | \$ 12.8 | \$ |
| Commercial and Industrial Group | 3.3 | 4.2 | 3.5 | |
| Diagnostics and Information Group | 9.2 | 6.8 | 18.9 | |
| Financial Services | 10.9 | 9.6 | 7.4 | |
| Segment operating earnings | 38.3 | 50.6 | 42.6 | |
| Corporate | (11.3) | (9.8) | (6.1) | |
| Net finance income | - | - | - | |
| Operating earnings | 27.0 | 40.8 | 36.5 | |
| Interest expense | (5.6) | (5.7) | (6.1) | |
| Other income (expense) - net | (1.9) | (0.9) | (0.8) | |
| Earnings before income taxes | \$ 19.5 | \$ 34.2 | \$ 29.6 | \$ |

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SNAP-ON INCORPORATED
Fiscal 2003 Segment Information
(Amounts in millions)
(unaudited)

| | Three Months Ended | | | |
|-----------------------------------|--------------------|------------------|-----------------------|------------|
| | March 29, 2003 | June 28, 2003 | September 27, 2003 | Janu 20 |
| External revenue | | | | |
| Snap-on Dealer Group | \$ 251.8 | \$ 265.4 | \$ 239.8 | |
| Commercial and Industrial Group | 221.3 | 222.8 | 215.8 | |
| Diagnostics and Information Group | 70.0 | 77.0 | 70.0 | |
| Financial Services | - | - | - | |
| Total external revenue | \$ 543.1 | \$ 565.2 | \$ 525.6 | |
| Intersegment revenue | | | | |
| Snap-on Dealer Group | \$ - | \$ - | \$ - | |
| Commercial and Industrial Group | 29.2 | 31.1 | 27.9 | |
| Diagnostics and Information Group | 37.0 | 39.0 | 38.9 | |
| Financial Services | - | - | - | |
| Total intersegment revenue | \$ 66.2 | \$ 70.1 | \$ 66.8 | |
| Total revenue | | | | |

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| | | | |
|-----------------------------------|----------|----------|----------|
| Snap-on Dealer Group | \$ 251.8 | \$ 265.4 | \$ 239.8 |
| Commercial and Industrial Group | 250.5 | 253.9 | 243.7 |
| Diagnostics and Information Group | 107.0 | 116.0 | 108.9 |
| Financial Services | - | - | - |
| | ----- | ----- | ----- |
| Segment revenue | 609.3 | 635.3 | 592.4 |
| Intersegment eliminations | (66.2) | (70.1) | (66.8) |
| | ----- | ----- | ----- |
| Consolidated revenue | \$ 543.1 | \$ 565.2 | \$ 525.6 |
| | ===== | ===== | ===== |
| Operating earnings | | | |
| Snap-on Dealer Group | \$ 29.3 | \$ 26.3 | \$ 8.1 |
| Commercial and Industrial Group | 11.1 | 6.2 | 6.4 |
| Diagnostics and Information Group | (0.1) | 8.0 | 9.2 |
| Financial Services | - | - | - |
| | ----- | ----- | ----- |
| Segment operating earnings | 40.3 | 40.5 | 23.7 |
| Corporate | (7.8) | (11.0) | (2.6) |
| Net finance income | 10.5 | 11.2 | 10.0 |
| | ----- | ----- | ----- |
| Operating earnings | 43.0 | 40.7 | 31.1 |
| Interest expense | (6.4) | (6.0) | (5.8) |
| Other income (expense) - net | (3.7) | (0.4) | (2.4) |
| | ----- | ----- | ----- |
| Earnings before income taxes | \$ 32.9 | \$ 34.3 | \$ 22.9 |
| | ===== | ===== | ===== |

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SNAP-ON INCORPORATED
Fiscal 2004 and 2003 Segment Information
(Amounts in millions)
(unaudited)

| | January 1, 2005 | January 3, 2004 |
|---|--------------------|--------------------|
| | ----- | ----- |
| Total assets | | |
| Snap-on Dealer Group | \$ 424.5 | \$ 444.7 |
| Commercial and Industrial Group | 1,042.7 | 1,028.4 |
| Diagnostics and Information Group | 243.5 | 267.9 |
| Financial Services | 174.6 | - |
| | ----- | ----- |
| Total from reportable segments | 1,885.3 | 1,741.0 |
| Corporate | 471.7 | 335.2 |
| Financial Services | - | 125.1 |
| Elimination of intersegment receivables | (66.9) | (62.8) |
| | ----- | ----- |
| Total assets | \$2,290.1 | \$2,138.5 |
| | ===== | ===== |

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| | | |
|-----------------------------------|---------|---------|
| Capital expenditures | | |
| Snap-on Dealer Group | \$ 17.3 | \$ 8.1 |
| Commercial and Industrial Group | 15.7 | 14.9 |
| Diagnostics and Information Group | 5.1 | 5.7 |
| Financial Services | 0.6 | - |
| | ----- | ----- |
| Total from reportable segments | 38.7 | 28.7 |
| Corporate | - | 0.7 |
| Financial Services | - | - |
| | ----- | ----- |
| Total capital expenditures | \$ 38.7 | \$ 29.4 |
| | ===== | ===== |

| | | |
|-------------------------------------|---------|---------|
| Depreciation and amortization | | |
| Snap-on Dealer Group | \$ 18.4 | \$ 22.1 |
| Commercial and Industrial Group | 27.7 | 24.1 |
| Diagnostics and Information Group | 11.1 | 12.0 |
| Financial Services | 1.4 | - |
| | ----- | ----- |
| Total from reportable segments | 58.6 | 58.2 |
| Corporate | 2.4 | 2.1 |
| Financial Services | - | - |
| | ----- | ----- |
| Total depreciation and amortization | \$ 61.0 | \$ 60.3 |
| | ===== | ===== |

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, Snap-on Incorporated has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SNAP-ON INCORPORATED

Date: April 15, 2005

By: /s/ Martin M. Ellen

 Martin M. Ellen, Senior Vice President -
 Finance and Chief Financial Officer

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