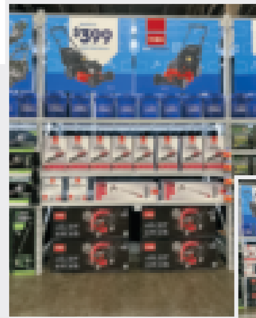
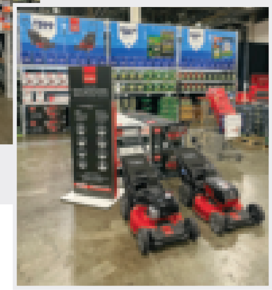
THE TORO COMPANY

2024 Annual Report

LOWE'S RELATIONSHIP

Building on the strength of our brands, innovation and shared leadership in the zero-turn mower category, Toro's new strategic retail partnership with Lowe's got off to a tremendous start in fiscal 2024. With an expansive range of equipment being introduced at stores nationwide, we saw strong momentum throughout the year. Combined with our best-in-class dealer network, this relationship has helped further extend our footprint in key customer segments and positions us for growth in the residential market.





AUTONOMOUS SOLUTIONS

Across our global brands and businesses, we continue to leverage innovation breakthroughs and are focused on prioritizing investments in the key technology areas of alternative power, smart-connected and autonomous solutions. Aligned with market growth trends and the productivity needs of our customers, we are excited about the introduction of autonomous products for golf, commercial and residential applications. This includes our Toro® GeoLink® Solutions™ Autonomous Fairway Mower, Exmark® Turf Tracer® with XiQ technology and Toro® Haven™ robotic mower.

PRODUCT INNOVATION

- Designed to deliver unyielding performance, optimal comfort and bold, ATV-inspired styling, the new **Toro® TimeCutter® MAX** and **TITAN®** mowers are ready to conquer any challenge from ample acreage to tough terrain.
- Continuing to drive innovation, **Exmark's Lazer Z® X-Series** with the patented, industry-exclusive Adapt system allows contractors to make quick deck rake adjustments from the operator seat to optimize deck performance in varying cutting conditions.
- The **Ditch Witch® JT21** is designed to help utility contractors get the job done quickly and efficiently. With a carriage speed of 215 feet per minute, the JT21 is 35% faster than other drills in its class and features 40% more downhole horsepower than its predecessor.
- For golf courses, sports fields and green spaces, cut quality and productivity mean everything. The **Toro® Groundsmaster® 4500** delivers the picture-perfect cut of a reel mower with the power to mow up to 10.6 acres in an hour.

Richard M. Olson
Chairman and
Chief Executive Officer

To Our Valued Shareholders,

Fiscal 2024 was a year of progress and resilience for The Toro Company. In what was an extremely dynamic operating environment for our markets, we delivered full-year net sales growth and reached significant achievements that underscore the strength of our diversified portfolio and the disciplined execution of our talented team.

Net sales for the year were up slightly over last fiscal year to $4.58 billion, marking an incredible milestone – our 15th consecutive year of top-line growth. We delivered substantial net sales growth for underground construction products, and golf and grounds solutions, as we strategically managed output to capitalize on strong end market demand. This sustained strength in demand continues to keep order backlog elevated, but we are making significant progress.

Revenue growth for the fiscal year was also exceptional in our residential segment, driven by successful new product introductions that exceeded expectations and the strength of our mass channel. Our new strategic partnership with Lowe's is off to a fantastic start, highlighted by our shared leadership in the zero-turn mower category. We are honored to have been recognized by Lowe's as "Vendor of the Year" for their seasonal and outdoor department, underscoring the collaborative spirit and mutual commitment to excellence that defines our partnership.

The strength in these areas has been instrumental in balancing the industry-wide dynamics affecting other parts of our portfolio. While we navigate macro factors and post-pandemic adjustments with our lawn care products in the dealer channel, as well as two consecutive seasons of below-average snowfall impacting our snow and ice management businesses, we remain confident in our strategic direction. These variables are meaningful, but our strong leadership position across segments and compelling product lineup position us to continue delivering value to our shareholders into the future.

Turning to profitability, we delivered adjusted diluted earnings per share of $4.17 for the fiscal year, in line with our expectations. Despite margins being somewhat affected by product mix given the outsized growth in our residential segment, our ability to drive productivity gains, as well as positive net price benefits, enabled us to offset inflationary pressures. Our teams were also able to adjust production throughout the year to meet the changing demand landscape.

We were extremely pleased to deliver $471 million in free cash flow for the year[*], an increase of more than $300 million over the prior year. This is a reflection of our commitment to financial excellence and strategic growth. With this improvement, we returned nearly $400 million to shareholders, including share repurchases of about $250 million. These actions demonstrate the confidence we have in our ability to maintain a strong cash position and deliver positive financial results into the future.

The Toro Company has a long and consistent track record of driving attractive returns on our investments through effective capital allocation. This year, we made significant strides in advancing our three enterprise strategic priorities of accelerating profitable growth, driving productivity and operational excellence, and empowering our people. This progress is a testament to the dedication and hard work of our incredible team, whose unwavering commitment has been instrumental in creating value for our shareholders and building a sustainable future together.

Leading with Innovation

Throughout the year, we continued to strengthen our innovation leadership and leverage prioritized investments across the portfolio. This focus is the lifeblood of our company and key to driving long-term profitable growth. During the year, we introduced several new products aligned with market growth trends and designed to enhance productivity for our customers. This includes the Ditch Witch® W8 Warlock® series vacuum excavator for underground construction, the Toro® Groundsmaster® e3200 fully electric out-front rotary mower for golf and grounds, and new and improved zero-turn mower models across our Exmark, Toro and Spartan brands. Additionally, our Ventrac team launched the all-new 45RC tractor that has been receiving a great response and is expected to reshape the future of slope mowing.

Our commitment to advancing autonomous solutions also remained strong. We have been field testing our Toro® GeoLink® autonomous fairway mower at golf courses nationwide and are excited for its upcoming retail launch in the coming year – along with the introduction of our Exmark® Turf Tracer® with XiQ technology for professional contractors and Toro® Haven™ robotic mower for homeowners.

With our people at the forefront of our success, we remain focused on fostering collaboration across our teams and global brands. This includes our TTC Tech Forum, where employees from around the world came together at our global headquarters to connect, collaborate and inspire new product innovation. Every day, we're inspired by the passion of our technology teams as they continue to drive progress and fuel groundbreaking advancements.

As we continue to expand our portfolio with solutions that enhance productivity for our customers, we remain steadfast in our corporate purpose of helping our customers enrich the beauty, productivity, and sustainability of the land. This mission guides us every day and fuels our passion for innovation and excellence.

Driving Productivity and Strategic Growth

In a quickly changing environment, our team did an outstanding job delivering productivity gains this year. We remain on track to deliver $100 million of annualized run-rate savings by fiscal 2027 from our multi-year productivity initiative, named AMP, for Amplifying Maximum Productivity. In its first year, our team implemented $14.5 million of run-rate savings, surpassing our initial expectations at this point. Building on this momentum, we intend to prudently reinvest up to half of the savings to further accelerate innovation and long-term growth.

We also made targeted adjustments across our brand portfolio to further position the company for profitable growth. In June, we announced the sale of our Australia-based Pope Products garden watering and irrigation business. This transaction allows our Toro Australia team to enhance its focus on core strategic priorities where we have the best opportunities to drive long-term profitable growth in this region. Following our acquisition of Intimidator Group in 2022, we have begun efforts to rebrand their Intimidator UTV and eNVy® product lines under the Spartan brand which allows us to leverage marketing investments and capitalize on the strength of the Spartan brand. These strategic moves reflect our commitment to optimizing our portfolio and driving sustainable growth.

Strengthening Trusted Relationships

In fiscal 2024, we were honored to serve as the official golf course maintenance equipment and irrigation partner for the PGA Championship at Valhalla Golf Club in Kentucky. We also supported the 152nd Open Championship at Royal Troon in Scotland, providing an innovative all-electric fleet of turf management solutions to uphold the highest standards of play. These partnerships reflect more than just our industry leadership – they highlight our shared commitment to environmental sustainability and delivering world-class playing conditions.

By working alongside industry leaders, we are advancing solutions that reduce emissions, conserve water, and minimize resource use. This year, we renewed our decade-

Commemorating Our Past, Shaping Our Future

Building on our long-standing history of innovation and technological excellence, we proudly partnered with the Association of Equipment Manufacturers (AEM) to celebrate American manufacturing through the AEM Manufacturing Express tour. Coinciding with the 110th anniversary of our global headquarters in Bloomington, Minnesota, we showcased our cutting-edge products and celebrated the people and processes that drive our industries. The tour also made a significant stop in Perry, Oklahoma, where our Ditch Witch team celebrated their 75th anniversary by breaking ground on a new 170,000 square-foot paint facility, creating new jobs and strengthening our community presence. As we celebrate these historic milestones, we also set the stage for continued innovation and growth in the years ahead.

long partnership with the GEO Foundation for Sustainable Golf, an organization focused on accelerating sustainability in and through golf worldwide. Together, we are advancing initiatives that support environmental stewardship and drive meaningful change across the global golf community.

We were excited to also expand our longstanding partnership with the National Recreation and Park Association through the new Workforce Pathways for Youth initiative. Building critical workforce skills and connecting young people to new career opportunities will help strengthen the park and recreation industry pipeline and workforce, ensuring that parks and recreation continues its essential role in creating inclusive, thriving and resilient communities.

Focused on the Future

As we look to the year ahead, our strong business fundamentals and market leadership position us for profitable growth. Despite industrywide challenges over the past two years, we've maintained focus on what we can control: investing in industry-leading innovation, providing superior customer care, and strengthening our distribution networks and talented team. Excited for the future, we have many growth opportunities before us that are the result of the many years of diligence in developing our diversified and complementary portfolio of businesses, our leading market positions in high-value spaces, and our deep customer and channel relationships.

First, we are excited about our underground construction business. The prospects are incredibly promising, driven by the growing demand for data communication infrastructure, energy grid modernization, and the global push to replace aging infrastructure. As a worldwide leader with the most comprehensive equipment and brand lineup in the industry, we offer unparalleled opportunities in this advancing market. Our strong channel relationships and sophisticated equipment solutions create a competitive edge that is hard to replicate. With significant public and private multi-year investments, we have clear visibility into a robust pipeline of projects addressing global infrastructure needs.

Much like underground construction, our golf business thrives on a powerful combination of strong, long-term market fundamentals, industry leadership and deep, trusted relationships. Global momentum continues to drive both the maintenance of existing courses and new developments. As the only company offering both equipment and irrigation solutions in this market, and as the worldwide leader in both, we hold a distinct competitive advantage. With global enthusiasm for the game showing no signs of slowing down, we are fully prepared to capitalize on this opportunity through continued innovation and the strength of our best-in-class distributor network.

We are also reinforcing our multi-brand leadership in the zero-turn mower space, the largest single lawn care category for both our professional and residential segments. We've enhanced our market leadership position through investments in our innovative product lineup, and the strategic development of our independent dealer networks and mass retail partnerships. The demand for our new product introductions exceeded our expectations this year, which, coupled with the strength and breadth of our distribution networks, creates momentum in this space. We are positioned extremely well for further growth, especially as these markets return to normal strength.

Innovation continues to be a cornerstone of our strategy, and we have a proven ability to leverage our technology investments across our broad portfolio to drive progress. This enables the accelerated development of new products that enhance customer productivity and deliver superior results, while strengthening The Toro Company's competitive advantage and ensuring market leadership into the future. We remain committed to driving returns on innovation through prioritized investments, particularly in the key technology areas of alternative power, smart connectivity, and autonomous solutions.

And finally, it comes down to our disciplined execution and consistent financial performance. Through many macro cycles, we have built a strong and agile organization capable of adapting to change. As a result, we have reported 15 consecutive years of year-over-year growth in net sales – a testament to our resilience and focus. Behind this success is a talented team determined to seize opportunities and build on our legacy of delivering strong financial results. Our strategically aligned network of channel partners continues to go above and beyond to serve our customers every day. Together, these strengths position us to confidently seize the opportunities ahead and drive lasting value for our customers, channel partners, and shareholders – both now and for years to come.

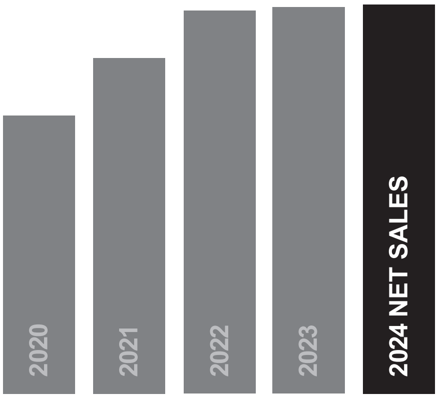
Sincerely,

Richard M. Olson
Chairman and Chief Executive Officer

*This Annual Report includes certain non-GAAP financial measures. Please refer to the disclosure, entitled "Non-GAAP Financial Measures," which begins on page 43 of the Form 10-K.

FINANCIAL HIGHLIGHTS

Fiscal years ended October 31



$4.58 BILLION

0.7% vs. 2023

ADJUSTED OPERATING EARNINGS[1]
$560.5M

4.6% vs. 2023

ADJUSTED OPERATING EARNINGS MARGIN[2]
12.2%

ADJUSTED DILUTED EPS[1]
$4.17

1.0% vs. 2023

CASH DIVIDENDS PAID ON COMMON STOCK OUTSTANDING
$149.5M

SHARE REPURCHASES
$245.5M

RETURN ON AVERAGE INVESTED CAPITAL[2]
16.6%

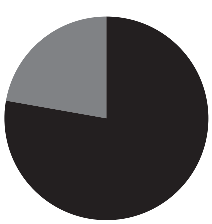
AVERAGE NET WORKING CAPITAL AS A PERCENTAGE OF NET SALES[3]
25.9%

R & D INVESTMENT
$173.1M

0.5% vs. 2023

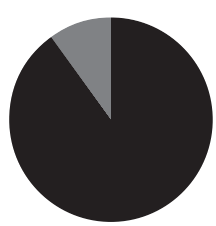
NET SALES BY SEGMENT

- Professional 78%
- Residential 22%



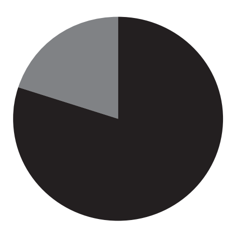
NET SALES BY PRODUCT TYPE

- Equipment 90%
- Irrigation 10%



NET SALES BY GEOGRAPHIC LOCATION

- United States 80%
- International 20%



[1] This Annual Report includes certain non-GAAP financial measures. Please refer to the disclosure, entitled “Non-GAAP Financial Measures,” which begins on page 43 of the Form 10-K.
[2] This metric represents a non-GAAP financial metric and a reconciliation of this non-GAAP financial metric can be found in our Investor Presentation, which is available in the Investor section at www.thetorocompany.com.
[3] Defined as average net accounts receivable plus average net inventory, less average accounts payable as a percentage of net sales for a 12-month period.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Fiscal Year Ended October 31, 2024

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period from to

Commission file number: **1-8649**

THE TORO COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**41-0580470**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

8111 Lyndale Avenue South
Bloomington, Minnesota 55420-1196
Telephone Number: (952) 888-8801

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $1.00 per share	**TTC**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant, based on the closing price of the common stock on May 3, 2024, the last business day of the registrant's most recently completed second fiscal quarter, as reported by the New York Stock Exchange, was approximately $9.2 billion.

The number of shares of the registrant's common stock outstanding as of December 11, 2024 was 101,184,218.

Documents Incorporated by Reference: Portions of the registrant's definitive Proxy Statement for the 2025 Annual Meeting of Shareholders expected to be held March 18, 2025 are incorporated by reference into Part III of this Annual Report on Form 10-K.

THE TORO COMPANY
FORM 10-K
TABLE OF CONTENTS

GENERAL

Unless the context requires otherwise, references to “TTC,” the “company,” “we,” “us,” and “our,” refer to The Toro Company and its consolidated subsidiaries. References to fiscal years, such as "fiscal 2024," are to the fiscal year ending on October 31 of the specified year.

We use “Toro” and many other marks as trademarks in the United States and/or in other countries. This Annual Report on Form 10-K contains references to our registered or common law trade names, trademarks or service marks and to those belonging to other entities. Solely for convenience, trademarks and trade names referred to in this Annual Report on Form 10-K, including logos, artwork and other visual displays, may appear without the ® or ™ symbols, but such references are not intended to indicate in any way that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other entities’ trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other entity unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains, or incorporates by reference, not only historical information, but also forward-looking statements regarding future events and our future results within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and the Private Securities Litigation Reform Act of 1995, and that are subject to the safe harbor created by those sections. In addition, we or others on our behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences and/or web casts open to the public, in press releases or reports, on our websites or otherwise. Statements that are not historical are forward-looking and reflect expectations and assumptions that we believe to be reasonable. Forward-looking statements are based on our current expectations of future events, and often can be identified in this report and elsewhere by using words such as "expect," "strive," "outlook," "guidance," "goal," "encourage," "anticipate," "continue," "plan," "objective," "estimate," "project," "target," "improve," "believe," "become," "should," "could," "will," "would," "possible," "may," "likely," "intend," "can," "seek," "pursue," "potential," variations of such words or the negative thereof, and similar expressions or future dates. Our forward-looking statements generally relate to our future performance and may include, among others, statements relating to:

- our anticipated operating results, liquidity requirements, and financial condition;
- the anticipated impacts of current global supply chain disruptions, the inflationary environment, the imposition, or threat of imposition, of additional tariffs, based on the recent U.S. presidential election, the war between Ukraine and Russia, the war between Israel and Hamas, and the related sanctions and geopolitical tensions, tight labor markets, and other macroeconomic factors;
- our business strategies, priorities, goals, and commitments;
- acquisitions and any impairment, restructuring, or other charges in connection therewith or resulting therefrom;
- business and productivity initiatives and anticipated sales growth, profitability, cost savings, and other benefits associated therewith; and
- the effect of laws, rules, policies, regulations, tax reform, new accounting pronouncements, and outstanding litigation on our business and future performance.

Forward-looking statements are only predictions and involve risks and uncertainties that could cause actual results to differ materially from those projected or implied in the forward-looking statements. The factors known to us that could materially adversely affect our business, reputation, operations, industry, financial position or future financial performance are described in Part I, Item 1A, "Risk Factors," of this Annual Report on Form 10-K. We caution readers not to place undue reliance on any forward-looking statement which speaks only as of the date made and to recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described elsewhere in this Annual Report on Form 10-K, including in Part I, Item 1A, "Risk Factors," as well as others that we may consider immaterial or do not anticipate at this time. The risks and uncertainties described in this Annual Report on Form 10-K, including in Part I, Item 1A, "Risk Factors," are not exclusive and further information concerning the company and our businesses, including factors that potentially could materially affect our financial results or condition, may emerge from time to time. We make no commitment to revise or update any forward-looking statements in order to reflect actual results, events or circumstances occurring or existing after the date any forward-looking statement is made, or changes in factors or assumptions affecting such forward-looking statements. We advise you, however, to consult any further disclosures we make on related subjects in our future Quarterly Reports on Form 10-Q and Current Reports on Form 8-K we file with, or furnish to, the United States Securities and Exchange Commission (the "SEC").

PART I

ITEM 1. BUSINESS

Introduction

We design, manufacture, market and sell professional turf maintenance equipment and services; turf irrigation systems; landscaping equipment and lighting products; snow and ice management products; agricultural irrigation ("ag-irrigation") systems; rental, specialty and underground construction equipment; and residential yard and snow thrower products. Our purpose is to help our customers enrich the beauty, productivity, and sustainability of the land. Our products are marketed and sold worldwide through a network of distributors, dealers, mass retailers, hardware retailers, equipment rental centers, and home centers, as well as online and direct to end-users under the primary trademarks of Toro®, Ditch Witch®, eXmark®, Spartan®, BOSS®, Ventrac®, American Augers®, Trencor®, Subsite®, HammerHead®, Radius®, Perrot®, Hayter®, Unique Lighting Systems®, Irritrol®, and Lawn-Boy®, most of which are registered in the United States ("U.S.") and/or in the primary countries outside the U.S. where we market our products branded under such trademarks.

We focus on innovation and quality in our products, customer service, manufacturing, and marketing. We strive to provide innovative, well-built, and dependable products supported by an extensive service network. We commit to funding research, development, and engineering activities in order to improve and enhance existing products and develop new products. Through these efforts, we seek to be responsive to trends that may affect our target markets now and in the future. A significant portion of our net sales has historically been, and we expect will continue to be, attributable to new and enhanced products. We define new products as those introduced in the current and previous two fiscal years.

We have continued to complement our brands, enhance our product portfolios, and improve our technologies through innovation and strategic acquisitions over the more than 100 years we have been in business. We plan to continue to leverage a strategic and disciplined approach to pursue targeted acquisitions that add value to TTC by complementing our existing brands, enhancing our product portfolio, and/or improving our technologies.

We classify our operations into two reportable business segments: Professional and Residential. Our remaining activities are presented as "Other" due to their insignificance. These Other activities consist of earnings (loss) from a wholly-owned domestic distribution company, certain corporate activities, and the elimination of intersegment revenues and expenses. Net sales of our reportable segments and Other activities accounted for the following percentages of our consolidated net sales for fiscal 2024: Professional, 77.6 percent; Residential, 21.8 percent; and Other, 0.6 percent.

Sustainability is integrated into our enterprise strategic priorities of accelerating profitable growth, driving productivity and operational excellence, and empowering our people. Our focus on alternative power, smart connected, and autonomous solutions, as well as our continued efforts to address environmental, social, and governance priorities, are embedded as part of our commitment to advancing our sustainability goals.

Products by Market

We strive to be a leader in adapting advanced technologies to products and services that provide innovative solutions for turf maintenance; landscape and lighting; rental, specialty, and underground construction; snow and ice management; agricultural; and residential demands. The following is a summary of our products, by market, for our Professional segment and our products for our Residential segment.

Professional Segment

We design professional turf maintenance; landscape and lighting; rental, specialty, and underground construction; snow and ice management; and agricultural products. We market and sell Professional segment products worldwide through a network of distributors and dealers, as well as directly to government customers, rental companies, and large retailers. These channel partners then sell or rent our products to professional and other users, including homeowners, engaged in maintaining turf, such as golf courses, sports fields, municipal properties, as well as residential and commercial landscapes; installing, repairing, and replacing underground pipe and utilities; managing snow and ice demands; irrigating turf and agricultural fields; and creating, renovating, and illuminating landscapes. The following sections describe our Professional segment products by market.

<u>Golf Market</u>

We are the only company to offer both equipment and irrigation products for the golf market, and are a market leader in both. We design, manufacture, market, and sell equipment products under the Toro and Ventrac brands that are intended to provide innovative solutions for golf course turf maintenance. Equipment products for the golf market include large reel and rotary riding mowers for fairway, rough, and trim cutting; riding and walking mowers for greens and specialty areas; greens rollers; all-wheel drive articulating tractors; turf sprayer equipment; utility vehicles; aeration equipment; bunker maintenance equipment, and other specialty turf equipment. We also market and sell irrigation products for the golf market under the Toro brand that are designed to provide innovative water application solutions for golf course turf maintenance. These irrigation products predominantly consist of sprinkler heads, controllers, turf sensors, valves and operating software. These equipment and irrigation products are primarily sold to distributors and dealers, who then sell to owners, managers and/or superintendents of golf courses.

Sports Fields and Grounds Market

We design, manufacture, market, and sell Toro and Ventrac-branded equipment products that are intended to provide innovative turf maintenance solutions to sports fields and grounds customers. Equipment products for the sports fields and grounds market primarily include riding rotary and reel mowers and attachments, aerators, infield grooming equipment, all-wheel drive articulating tractors, multipurpose vehicles and debris management products, which include versatile debris vacuums, blowers, and sweepers. In addition to equipment products, we also market and sell irrigation products under the Toro and Perrot brands that are designed to provide innovative water application solutions for sports fields and grounds turf maintenance. These irrigation products primarily include sprinkler heads, controllers, turf sensors, valves and operating software. These products are primarily sold to distributors and dealers, who then sell to owners and/or managers of sports fields, governmental properties, and residential and commercial landscapes, as well as directly to government customers.

Landscape Contractor Market

We design, manufacture, market, and sell equipment products under the Toro, eXmark, Spartan and Ventrac brands that are intended to provide innovative turf management solutions to landscape contractors. Equipment products for the landscape contractor market include zero-turn radius riding mowers, heavy-duty walk behind mowers, mid-size walk behind mowers, stand-on mowers, and all-wheel drive articulating tractors, as well as turf application, turf renovation, and tree care equipment. These equipment products are primarily sold to distributors and dealers, who then sell to landscape contractors engaged in turf maintenance activities.

Underground Construction Market

We design, manufacture, market, and sell a range of professional grade products to serve the underground construction market under the Ditch Witch, American Augers, Trencor, HammerHead, Subsite, and Radius brands, including horizontal directional drills, walk and ride trenchers, vacuum excavators, horizontal directional drilling guidance and support equipment, utility locators, utility inspection systems, pipe rehabilitation and replacement solutions, as well as after-market tools, including drive chucks and sub savers, drill pipe, starter rods and quick connects, bits and blades, rock tools, reamers, and swivels. Such products are utilized by specialty contractors worldwide to install water, gas, electric, telecommunication, fiber optic, broadband, and other utility distribution systems.

Rental and Specialty Construction Market

We design, manufacture, market, and sell Toro and Ditch Witch-branded equipment products that are intended to provide innovative solutions to serve the rental and specialty construction market. These products primarily consist of stand-on skid steers, walk-behind trenchers, stump grinders, and turf renovation products. We also have a line of Toro-branded rental products that feature material handlers and other concrete construction equipment. Our rental and specialty construction equipment products are mainly sold to rental companies and large retailers who subsequently rent the products to end-users, as well as to dealers who market and sell to end-customers primarily consisting of landscape contractors, municipalities, and other government entities.

Snow and Ice Management Market

We design, manufacture, market, and sell equipment products under the BOSS, Ventrac, and Toro brands that are intended to provide innovative snow removal and ice management solutions for the snow and ice management market. These equipment products primarily consist of snowplows; salt and brine ice control products; accessories for light and medium duty trucks, all-terrain vehicles, utility task vehicles, skid steers, and front-end loaders; and all-wheel drive articulating tractors, sidewalk snow and ice solution vehicles, and related attachments and accessories. These products are mainly sold through distributors and dealers who market and sell to end-customers primarily consisting of landscape contractors, municipalities, and other government entities.

Irrigation and Lighting Market

Irrigation products are designed, manufactured, marketed, and sold under the Toro and Irritrol brands and primarily include rotors; sprinkler bodies and nozzles; plastic, brass, and hydraulic valves; drip tubing and subsurface irrigation; electric control devices; and wired and wireless rain, freeze, climate, and soil sensors. These irrigation products are designed to provide innovative water application solutions for both commercial and residential landscapes. Both the Toro and Irritrol brands have received several U.S. Environmental Protection Agency ("EPA") WaterSense awards, as well as the EPA WaterSense certification for numerous irrigation controller families and models. In addition to our irrigation products, we market and sell Unique Lighting Systems-branded products primarily consisting of a line of lighting fixtures and transformers designed for commercial and residential landscapes. Our commercial irrigation and lighting products are predominantly sold to distributors and dealers who market and sell to end-customers primarily consisting of landscape contractors that professionally install these products as new systems or use these products to replace or retrofit existing systems.

Ag-Irrigation Market

Irrigation products for the ag-irrigation market are designed, manufactured, marketed, and sold under the Toro brand and are intended to provide an efficient means of water application and usage in agricultural and greenhouse applications. These irrigation products primarily consist of drip tape, polyethylene tubing, drip line, emitters, filters, and fitting solutions. In addition to these core products, we offer a complement of design software and connection options to complete the ag-irrigation system. Our ag-irrigation products are sold through dealers and distributors who then sell to end-users for use primarily in vegetable fields, fruit and nut orchards, and vineyard applications.

Residential Segment

We market and sell our Residential segment products to homeowners through a variety of distribution channels, including outdoor power equipment distributors and dealers, mass retailers, hardware retailers, and home centers, as well as online and direct to end-users. We also license our trademark on certain yard tools and garden equipment products as a means of expanding our brand presence. The following sections describe our Residential segment products.

Walk Power Mower Products

We design, manufacture, market, and sell walk power mower equipment products under our Toro and Lawn-Boy brand names, as well as the Hayter brand in the United Kingdom. Our walk power mower equipment products are designed to provide innovative turf cutting solutions primarily to homeowners. Models differ as to cutting width, type of starter mechanism, method of grass clipping discharge, deck type, operational controls, and power sources, and are either self-propelled or operator-propelled push mowers.

Zero-Turn Riding Mower Products

Our residential zero-turn riding mower equipment products are designed, manufactured, marketed, and sold under the Toro brand name and are intended to provide innovative and time saving turf cutting solutions by using superior maneuverability to navigate around obstacles more efficiently and effectively than tractor technology. Many models of our residential zero-turn riding mowers are available with a variety of engines, decks, transmissions, and accessories.

Snow Thrower Products

We design, manufacture, market, and sell a range of Toro-branded battery, electric, and gas-powered single-stage and two-stage snow thrower equipment products, as well as battery and electric-powered power shovel equipment products. Single-stage snow throwers are walk behind units that are generally designed for small areas of light snow and our two-stage snow throwers are generally designed for relatively large areas of deep and heavy snow. Our battery and electric-powered power shovels are designed to be lightweight and ideal for clearing light snow from decks, steps, sidewalks, and small driveways.

Yard Tools and Garden Equipment Products

Our yard tools and garden equipment products are designed, manufactured, marketed, and sold under the Toro brand name. Our Toro-branded yard tools and garden equipment products consist of a variety of battery, electric, and/or gas-powered options and primarily consist of grass trimmers, hedge trimmers, blower-vacuums, chainsaws, edgers, cultivators, string mowers, and related parts and accessories that are designed to provide innovative yard maintenance solutions to homeowners.

International Operations

We currently manufacture our products in the U.S., Mexico, the United Kingdom, Italy, Romania, Germany, Poland, Australia, and China for sale throughout the world. We maintain sales offices in the U.S., the United Kingdom, Australia, Japan, China, Italy, Poland, Germany, Spain, and Belgium. New product development is pursued primarily in the U.S. with the intention of global distribution. Our net sales outside the U.S. were 20.1 percent, 20.8 percent, and 19.5 percent of total consolidated net sales for fiscal 2024, 2023, and 2022, respectively. For additional financial information regarding our international operations and geographical areas, refer to Note 3, *Segment Data*, in the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

As a result of our international operations, we are exposed to foreign currency exchange rate risk arising from transactions in the normal course of business. For additional information regarding our foreign currency exchange rate risk exposure, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," of this Annual Report on Form 10-K.

Engineering, Research and Innovation

We believe that our longstanding commitment to innovation and quality in our products has been a key driver of our market success. We are committed to the development of innovative new products and improvements in the quality and performance of existing products. When applicable, we also may pursue targeted and strategic acquisitions to acquire innovative technologies that we believe bolster our longstanding commitment to innovation in our products and complement and support the development of alternative power, smart-connected, and autonomous products within our Professional and Residential segments.

Engineering and research activities are performed at our global test sites and facilities and our products are tested in conditions and locations similar to those in which they are intended to be used. We invest time up front with customers, using "Voice of the Customer" tools, to help us develop innovative products that are intended to meet or exceed customer expectations. We use Design for Manufacturing and Assembly ("DFM/A") tools to ensure early manufacturing involvement in new product designs intended to reduce production costs. DFM/A focuses on reducing the number of parts required to assemble new products, as well as designing products to move more efficiently through the manufacturing process. We strive to make improvements to our new product development system as part of our continuing focus on Lean methods to shorten development time and reduce costs, while also improving quality.

Manufacturing and Production

Our manufacturing facilities are designed to provide efficient and flexible assembly-line manufacturing of our products. In addition to most final assembly, we have strategically identified specific core manufacturing competencies for vertical integration, such as injection molding, extrusion, welding, stamping, fabrication, laser cutting, painting, machining, and aluminum die casting, and have chosen outside vendors to provide other services, where applicable. We design component parts through collaboration with our vendors, contract with them for the development of tooling, and subsequently enter into agreements with such vendors to purchase component parts manufactured using the tooling. We also have agreements with third-party manufacturers to produce certain standalone end-products on our behalf. In addition, our vendors regularly test new technologies to be applied in the design and production of component parts. Our manufacturing operations include robotic and computer-automated equipment intended to speed production, reduce costs, and improve resource use and the quality, fit, and finish of our products. Our operations are also designed to be flexible enough to accommodate product design changes that are necessary to respond to market conditions and changing customer requirements.

In order to utilize our manufacturing facilities and technology more efficiently and effectively, we pursue continuous improvements in our manufacturing processes with the use of Lean methods that are intended to streamline work and eliminate waste. Additionally, we use computer-aided design and manufacturing systems to shorten the time between initial concept and final production. DFM/A principles are used throughout the product development process to optimize product quality and reduce cost. We spend considerable effort to reduce manufacturing costs through Lean methods and process improvement, product and platform design, application of advanced technologies, enhanced environmental management systems, safety improvements, and improved supply-chain management.

Our Professional segment products and Residential segment lawn and garden products are generally manufactured throughout the year with peak production generally occurring ahead of the key selling seasons for certain of our businesses and product lines that are more subject to seasonality. However, our Residential segment snow thrower products are generally manufactured in the summer and fall months but may be extended into the winter months, depending upon weather conditions in key regions, the related demand for such products. Our production levels and inventory management goals are based on estimates of wholesale and retail demand for our products, taking into account production capacity; commodity, component part, and labor availability; timing of shipments; and field inventory levels. Our production system generally utilizes Kanban, supplier pull, and build-to-order methodologies in our manufacturing facilities, as appropriate, for the business units they support in order to better align the production of our products to meet customer demand. We believe this has resulted in improved service levels for our participating suppliers, distributors, dealers, and other channels. We may also periodically shut down production at our manufacturing facilities in order to allow for maintenance, rearrangement, capital equipment installation, seasonality, and as needed, to adjust for market demand, facility renovation projects, and other factors. Production shut downs of this nature are generally not materially disruptive to our business and are considered to be normal.

Commodities, Components, Parts, and Accessories

We purchase commodities, components, parts, and accessories for use in our manufacturing process and end-products or to be sold as stand-alone end-products. Our primary cost exposures for such items used in our products are with steel, aluminum, petroleum and natural gas-based resins, linerboard, copper, lead, rubber, engines, transmissions, transaxles, hydraulics, electrification components, and others, all of which we purchase from several suppliers around the world. We generally purchase commodities, components, parts, and accessories based upon market prices that are established with suppliers as part of the purchase process and generally attempt to obtain firm pricing from most of our suppliers for volumes consistent with planned production and estimates of wholesale and retail demand for our products. However, most of the commodities, components, parts, and accessories used in our manufacturing process and end-products, or to be sold as stand-alone end-products, are exposed to commodity cost changes, including, for example, as a result of inflation, changing prices, foreign currency fluctuations, tariffs, duties, trade regulatory actions, industry actions, changes to international trade policies, agreements, and/or regulation and competitor activity, including antidumping and countervailing duties on certain products imported from foreign countries, including certain engines imported into the U.S. from China. For additional information regarding changing costs of commodities, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," of this Annual Report on Form 10-K in the section entitled "Commodity Cost Risk."

Most of the commodities, components, parts, and accessories utilized in our products are generally commercially available from a number of sources. Although we regularly monitor the adequacy of the supply of our commodities, components, parts, and accessories, and the financial health of the companies in our supply chain, and use alternative suppliers when necessary and available, financial hardship, insufficient demand planning, and/or the inability of companies throughout our supply chain to deliver on supply commitments, requirements, and/or demands has caused disruptions in our ability to procure the commodities, components, and parts required to manufacture our products.

Service and Warranty

Our products are warranted to provide assurance that the product will function as expected and to ensure customer confidence in design, workmanship, and overall quality. Standard warranty coverage is generally provided for specified periods of time and on select products' hours of usage, and generally covers parts and labor, and other expenses for non-maintenance repairs. We also sell separately priced extended warranty coverage on select products for a prescribed period after the original warranty period expires. Warranty coverage generally does not cover operator abuse or improper use. An authorized distributor or dealer must perform warranty work. Distributors and dealers submit claims for warranty reimbursement and are credited for the cost of repairs, labor, and other expenses as long as the repairs meet our prescribed standards. Service support outside of the warranty period is provided by authorized distributors and dealers at the customer's expense.

Product Safety and Liability

We have rigorous product safety standards and continually work to improve the safety and reliability of our products. We monitor for accidents and possible claims, and establish liability estimates based on internal evaluations of the merits of individual claims. We purchase insurance coverage for catastrophic product liability claims for incidents that exceed our self-insured retention levels.

Patents and Trademarks

We own patents, trademarks, and trade secrets related to our products in the U.S. and certain countries outside the U.S. in which we conduct business. We expect to apply for future patents and trademarks, as appropriate, in connection with the development of innovative new products, services, and enhancements. Although we believe that, in the aggregate, our patents are valuable, and patent protection is beneficial to our business and competitive positioning, our patent protection will not necessarily deter or prevent competitors from attempting to develop similar products. We are not materially dependent on any one or more of our patents; however, certain TTC trademarks that contribute to our identity and the recognition of our products and services, including but not limited to the Toro® name and logo, are an integral part of our business.

We review certain patents issued by the U.S. Patent and Trademark Office ("USPTO") and foreign patent offices to help avoid potential liability with respect to others' patents. Additionally, we periodically review competitors' products to prevent possible infringement of our patents by others. We believe these activities help us minimize our risk of being a defendant in patent infringement litigation. From time to time, we are involved in patent litigation cases, including cases by or against competitors, where we are asserting or defending against claims of patent infringement.

Similarly, we periodically monitor various trademark registers and the market to prevent infringement of and damage to our trademarks by others. From time to time, we are involved in trademark oppositions where we are asserting our trademarks against third-parties who are attempting to establish rights in trademarks that are confusingly similar to ours. We believe these activities help minimize risk of harm to our trademarks and help maintain distinct products and services that we believe are well regarded in the marketplace. For a description of our material intellectual property legal proceedings, refer to the heading titled "Litigation" within Note 11, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

Seasonality

As a result of our global presence in key markets that are subject to seasonal weather patterns, some of our businesses are seasonal. Overall, our seasonal shipment volumes are generally a function of the key selling seasons of our channel partners based on their industry, geographic location, and the nature and intended purpose of our products in relation to the correlating season. Seasonal weather patterns can impact the timing of the key selling seasons of our channel partners, which may cause our quarterly financial results to differ between fiscal years as demand for our products and related shipment volumes can shift between quarters. Such shifts in the demand for our products and related shipment volumes may result in a negative or positive impact on our net sales and other operating results for a particular period.

Our shipment volumes generally precede and overlap the key selling seasons of our channel partners in order to better allow our channel partners to align field inventory levels with the anticipated retail demand from end-customers. As a result, our shipment volumes have historically been the highest in our fiscal second quarter, and retail demand for our products is generally highest in our fiscal third quarter. Typically, our accounts receivable balances increase in the first half of our fiscal year as a result of higher shipment volumes and extended payment terms made available to our customers. Accounts receivable balances typically decrease in the second half of our fiscal year when payments are received. Our financing requirements are subject to variations due to seasonal changes in working capital levels, which typically increase in the first half of our fiscal year and decrease in the second half of our fiscal year. Seasonal cash requirements of our business are financed from a combination of cash flows from operations, cash on hand, and borrowings under our revolving credit facility, as applicable.

Shipments of our Residential segment products tend to be more seasonal than our Professional segment products, with shipments of lawn and garden products occurring primarily between February and June, depending upon seasonal weather conditions and product demand. Shipments of snow thrower products occur primarily between July and January, depending upon pre-season demand, in-season snowfalls, and product availability. Opposite seasons in global markets in which we sell our Residential products somewhat moderate this seasonality of our Residential segment product sales.

Seasonality of Professional segment product sales also exists but is slightly tempered because the selling season in the Southern U.S. and our markets in the Southern hemisphere generally continue for a longer portion of the year than in Northern regions of the world. Our BOSS and Ventrac brands offer a portfolio of counter-seasonal snow and ice management products in our Professional segment with our shipments of snow and ice management products occurring primarily between April and December, which can result in variability of shipment volumes depending upon pre-season demand, in-season snowfalls, and product availability. Additionally, our rental, specialty, and underground construction business is generally less seasonal than certain of our Professional segment businesses primarily due to the strong presence of certain of the underlying brands in the Southern U.S. markets and the inherent nature of the underground construction market being less impacted by seasonal factors.

Effects of Weather

From time to time, seasonal weather conditions in particular geographic regions or markets, specifically severe wet or dry conditions, as well as significant weather events such as fires, hurricanes, tornados, drought, rainfall, unseasonably warm winter months, or other weather events, including those exacerbated by global climate change, may adversely or positively affect sales, demand, and field inventory levels of some of our products. In addition, weather conditions in key regions can cause disruption in our seasonality trends and supply chain, which may impact our ability to procure the commodities, components, parts, and accessories needed to manufacture our products to meet the needs of our customers, and such disruptions may adversely or positively affect sales, demand, and field inventory levels of some of our products. For example, persistent hot and dry weather patterns or excessive snowfall across key regions may impact the rate at which inventory needs to be replenished either negatively or positively.

Customers, Distribution, and Marketing

We market and sell the majority of our products through more than 150 distributors worldwide, as well as a large number of equipment dealers, irrigation dealers and distributors, mass retailers, hardware retailers, equipment rental centers, and home centers, as well as online and direct to end-users in more than 125 countries. Our distribution networks are intended to assure quality of sales and market presence, as well as to provide effective after-purchase service and support. Overall, we believe that in the long-term we are not dependent on any single customer. While the loss of any substantial customer could have a material adverse short-term impact on our business, we believe that our diverse distribution channels and customer base should reduce the long-term impact of any such loss.

Professional segment products are sold to distributors and dealers primarily for resale to golf courses, sports fields, contractors, government customers, and homeowners who prefer professional solutions, and in some markets for resale to dealers. We sell some Professional segment products directly to government customers and municipalities and rental companies, as well as to end-users in certain markets. Select irrigation and lighting products are sold to professional irrigation and lighting distributors and dealers, and certain professional-grade retail irrigation products are sold to home centers. Products for the rental, specialty, and underground construction markets are sold to dealers and rental companies, as well as direct to end-users in certain markets. Landscape contractor turf products are also sold to dealers. Snow and ice management products are primarily sold to distributors and dealers for resale to contractors.

Residential segment products, such as walk power mowers, zero-turn riding mowers, and snow throwers, are generally sold to home centers, mass retailers, dealers, and hardware retailers, as well as online and direct to end-users. In certain markets, these same products are sold to distributors for resale to hardware retailers and dealers. Yard tools and garden equipment products are primarily sold to home centers, mass retailers, and hardware retailers.

We operate one wholly-owned domestic distribution company. Our primary purpose in owning a domestic distributorship is to improve operations and test and deploy new strategies and business practices that could be replicated by our independent distributors, as well as facilitating ownership transfers.

Our current marketing strategy is to maintain distinct brands and brand identification for Toro, Ditch Witch, eXmark, Spartan, BOSS, Ventrac, American Augers, Trencor, Subsite, HammerHead, Radius, Perrot, Hayter, Unique Lighting Systems, Irritrol, and Lawn-Boy products. Across our brands, we market our Professional and Residential segment products during the appropriate seasons through multiple channels, including digital and online media, radio, print, direct mail, email, television, and social media. Most of our advertising and marketing efforts emphasize our brands, products, features, and other valuable trademarks. Advertising is purchased by us, through our agency partners, as well as through cooperative programs with distributors, dealers, and retailers.

Customer Financing

Inventory Financing Arrangements

We are party to a joint venture with Huntington Distribution Finance, Inc. ("HDF"), a subsidiary of The Huntington National Bank, established as Red Iron Acceptance, LLC ("Red Iron"), the primary purpose of which is to provide inventory financing to certain distributors and dealers of certain of our products in the U.S. For further information on this joint venture, refer to Note 7, *Investment in Joint Venture*, of the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

We are party to inventory financing arrangements with Red Iron, Huntington Commercial Finance Canada, Inc. ("HCFC"), and other third-party financial institutions (collectively, the "financial institutions") which provide inventory financing to certain dealers and distributors of certain of our products in the U.S. and internationally. For further information on these inventory financing arrangements, refer to Note 11, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

End-User Financing

We have agreements with third-party financing companies to provide financing options to end-customers throughout the world. The purpose of these agreements is to provide end-users of our products alternative financing options when purchasing our products.

Open Account Terms

Additionally, we continue to provide financing in the form of open account terms directly to home centers and mass retailers, general line irrigation dealers, certain domestic and international distributors and dealers, ag-irrigation dealers and distributors, government customers, and rental companies.

Order Backlog

Our order backlog represents unfulfilled customer orders at a point in time. The dollar value of our order backlog is equal to the gross sales value that we expect to bill to the customer and is not reduced for expected variable consideration related to certain of our sales promotions and incentives programs. Order backlog is one of many indicators of business conditions within the markets and industries that we operate; however, our order backlog is considered more representative of business conditions than an indicator of our expectation of our future net sales because the dollar value of our order backlog is a gross amount that has not yet been reduced for the variable consideration associated with certain of our sales promotions and incentives programs and because backlog can fluctuate for a number of reasons, including the seasonality of our business, product mix, pricing actions, manufacturing and shipping schedules, cancellation and rescheduling of orders by our customers, and the timing of when orders are originally placed by customers and when we are able to fulfill such orders.

Competition

Our global business operations result in us competing with many U.S. and non-U.S. companies across our various markets, industries, and product offerings. These competitors and the degree of competition vary widely by industry, product line, end market, geographic scope and/or geographic location, including some competitors that have substantially larger operations and financial resources than we do and some that have smaller operations offering various capabilities to customers. We also experience a certain level of competition among our own brands within certain industries and end markets. Because of the diversity of our product portfolios and markets, our businesses typically have a different set of competitors in each geographic area and end market in which they participate. Accordingly, estimating the number of competitors or precise market share is challenging; however, we believe that we are a principal competitor in most of our industries and markets.

The principal competitive factors in our markets are product innovation; quality and reliability; pricing and sales programs; product support and customer service; warranty; brand and reputation; channel relationships, shelf space, and product availability; and financing options. We believe we offer total solutions and full service packages with high quality products that have the latest technology and design innovations. In addition, by selling our products through a network of distributors, dealers, mass retailers, hardware retailers, and home centers, as well as online and direct to end-users, users are offered comprehensive service support during and after the warranty period. We believe that we have a competitive advantage because we manufacture a broad range of product lines, we are committed to product innovation and customer service, we have a strong history in, and focus on, the markets in which our businesses operate, and our distribution channels position us well to compete in various markets.

Our Residential segment products generally face a higher volume of competition than our Professional segment products given the relatively low barriers to entry resulting in numerous other manufacturers selling products that compete directly with our products. Internationally, our Residential segment products face more competition than in the U.S. because many foreign competitors design, manufacture, market, and sell products in their respective countries. We experience this competition primarily in Europe. In addition, fluctuations in the value of the U.S. dollar affect the price of our products in foreign markets, thereby impacting their competitiveness. We provide pricing support to foreign customers, invoice in local currency, and execute foreign currency derivative hedging instruments, as appropriate, to remain competitive in international markets.

Human Capital Resources and Management

Guiding Principles and our Purpose, Vision, and Mission

As part of our guiding principles, we believe our success is deeply rooted in caring relationships built on trust and integrity. We believe these relationships are the foundation of our market leadership in innovation and solutions that make outdoor environments beautiful, productive and sustainable. We are committed to fostering a meaningful and enriching culture and engaging employee experience. We believe our commitment to employee wellness and environmental stewardship create a sense of community, allowing employees to take pride in their jobs and live the TTC values.

We believe our commitment to our human capital resources is key to:

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 employees are guided further by our global Code of Conduct, which provides a framework for our actions and is the foundation of our partnership with TTC stakeholders—customers, suppliers, shareholders, communities, employees and others. Our goal is to foster a culture of trust and respect for all stakeholders and create a productive, supportive and thriving work environment for all TTC employees.

Number of Employees

During fiscal 2024, we employed an average of 11,464 employees. The total number of employees as of October 31, 2024 was 11,108.

Unions and Collective Bargaining Agreements

As of October 31, 2024, approximately 10.5 percent of our employees were represented by a union under a collective bargaining agreement. Our collective bargaining agreements typically are for terms of three to five years, and from time to time, our collective bargaining agreements expire and come up for renegotiation. Our four collective bargaining agreements expire in October 2025, March 2026, May 2026, and October 2026. We consider our employee relations to be good and currently do not expect any significant difficulties in renewing these agreements. We have not experienced any strikes or work stoppages in the past three years.

Employee Safety

The safety of our employees is paramount to us. We provide mandatory safety trainings each month in our production facilities, which are designed to focus on empowering our employees with the knowledge and tools they need to make safe choices and to mitigate risks. Supervisors also complete safety management courses. In addition to traditional training, we use safety scorecards, standardized signage, and visual management throughout our facilities. Safety best practices are also regularly reviewed by management and TTC's Board of Directors, and featured in our employee newsletters and town halls.

Employee Engagement

We provide all employees with the opportunity to share their opinions and feedback on our culture through an engagement survey. Results of the survey are measured and analyzed to enhance the employee experience, promote employee retention, drive change and leverage the overall success of our organization.

Talent Development

We strive to prepare our teams and talent to deliver on the company's commitments to excellence by providing all employees a wide range of professional development opportunities, both formal and informal, at all stages in their careers. Our formal career development offerings include apprenticeships, job training, mentoring and coaching, leadership development, tuition reimbursement, a diverse curriculum of learning programs, leadership development experiences, vocational training and external partnerships across the globe. One of our unique leadership development programs is our Leadership in Motion program, a learning experience for nominated current and future TTC leaders to enhance leadership skills and collaborate with TTC colleagues in a cross-functional setting. The global program expands employee networks, provides visibility within the company, and builds capabilities needed for TTC's future. In small groups, participants work on a challenge critical to the company, such as technological innovation, communications, diversifying the workforce and talent retention. Over three months, they learn as a team, use newly gained skills and ultimately present recommendations related to their challenge to our Enterprise Leadership Team. Insights, themes and recommendations from cohort teams have contributed to actions in many areas for the company.

Health and Wellness

The health and wellness of our employees are critical to our success. We provide our employees with access to a variety of innovative, flexible and convenient health and wellness programs, which include but are not limited to, 24/7 call-in service access to a licensed physician, on-site nurses at some of our manufacturing sites to monitor employee health, safety, and wellness on a daily basis, various mobile apps that provide physical and mental well-being support. Such programs are designed to support employees' physical and mental health by providing tools and resources to help them improve or maintain their health status and encourage engagement in healthy behaviors.

Inclusion and Belonging

Our culture, rooted in excellence, integrity, and belonging, promotes a safe and welcoming environment where all employees can be their authentic self, both at work and beyond. We strive to nurture an inclusive community where everyone thrives – our colleagues, customers, partners, and communities. Our team members are encouraged to leverage their unique strengths and experiences to address challenges and drive innovation. We celebrate the diverse cultures and backgrounds of those who enrich our world daily. Together, we strive to foster a company culture and industry reputation that embodies collaboration and a genuine sense of belonging for all.

Compensation and Benefits

We conduct compensation market benchmarking on a regular basis to provide competitive pay to attract and retain superior talent. In addition to annual base salaries, our total rewards, which vary by country/region, can include annual incentive opportunities, stock-based compensation awards, a 401(k) plan with employee matching opportunities, discretionary profit-sharing contribution to employee retirement plan accounts, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, family care resources, flexible work schedules, adoption and surrogacy assistance, employee assistance programs, tuition assistance, and on-site services, such as health centers and fitness centers, among many others.

Giving and Community Involvement

At the heart of TTC is our commitment to people, and we believe that a satisfying life comes from contributing to, and engaging with, the communities where we live and work. Community support is core to our culture and our efforts reflect a dedication to action and engagement that enriches the lives, communities, industries and land that we serve. Our community efforts center on four areas: Employees, Community, Industry and "Land. Water. Thrive." Through employee volunteerism and donations, corporate giving, and in-kind product donations, we enhance and beautify outdoor spaces while also supporting the shared value of our partner communities and organization.

Our employees around the world volunteer with local charitable and civic organizations to complete beautification, preservation, water conservation, community health, and housing and youth enrichment projects, including supporting the beautification and preservation of outdoor environments, water conservation, community health, housing and youth enrichment. To help our employees make a meaningful impact on organizations that are important to them and us, we provide eligible employees in the U.S. up to 20 hours paid time off to volunteer.

As part of our "Land. Water. Thrive." effort, we provide immersion experiences for our employees to work with smallholder farmers in developing countries to improve land productivity and agricultural water practices while also strengthening our employees' empathy and customer-focused approach to problem solving.

Human Rights Policy

We are committed to upholding human rights in all respects of our global operations under The Toro Company Human Rights Policy. We believe that we have a responsibility to ensure that human rights are understood and observed in every location in which we operate. We strive to foster safe, inclusive and respectful workplaces wherever we do business, including prohibiting all forms of child labor and forced labor including indentured labor, bonded labor, military labor, slave labor and any form of human trafficking. We expect our business partners and suppliers to comply with local labor and employment laws wherever they operate. We encourage each other to seek guidance on our Code of Conduct or other issues without fear of retaliation of any kind. Employees may anonymously report concerns, misconduct or suspected violation of the Code through our confidential web-based reporting tool or over the telephone through our Ethics helpline.

Additional Information

Additional information is included in our Fiscal 2023 Sustainability Report, which is available on our website under the "Sustainability" section of our website located at www.thetorocompany.com. Information contained or referenced on our website, including in our Sustainability Report, is not incorporated by reference and does not form a part of this Annual Report on Form 10-K.

Environmental Matters and Other Governmental Regulation

Our business, operations, facilities, and products are subject to numerous international, federal, state, and other governmental laws, rules, and regulations relating to, among others, climate change; emissions to air, including Tier 4 or similar engine emission regulations; discharges to water; restrictions placed on water usage and water availability; product and associated packaging; use of certain chemicals; restricted substances, including "conflict minerals" disclosure rules; recycling and waste disposal; import and export compliance, including country of origin certification requirements; worker and product user health and safety; energy efficiency; product life-cycles; outdoor noise laws; and the generation, use, handling, labeling, collection, management, storage, transportation, treatment, and disposal of hazardous substances, wastes, and other regulated materials. For example:

- The U.S. EPA, the California Air Resources Board ("CARB"), and similar regulators in other U.S. states and international jurisdictions in which we sell our products have phased in, or are phasing in, emission regulations setting maximum emission standards for certain equipment. Specifically, these agencies from time to time adopt increasingly stringent engine emission regulations. Following the U.S. EPA implementation of Tier 4 emission requirements applicable to diesel engines, China, the European Union ("EU") and its member states, and the United Kingdom have adopted similar regulations. CARB's two phase implementation of net-zero emissions requirements for small off-road engines, like those contained in many lawn and garden equipment, will begin for all products with model year 2024 and onward. In September 2024, Australian regulators adopted the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024, which requires large and medium-sized companies to begin reporting on climate-related risks and opportunities, and greenhouse gas (GHG) emissions, in their annual reports for financial years commencing after January 1, 2025.
- In March 2024, the SEC adopted rules under SEC Release No. 33-11275, The Enhancement and Standardization of Climate-Related Disclosures for Investors, which requires the disclosure of material Scope 1 and Scope 2 GHG emissions and other climate-related topics in annual reports and registration statements. The state of California passed two bills that will require certain companies doing businesses in the state to disclose GHG emissions and climate-related financial risk information. Senate Bill 253 (SB 253) requires that CARM develop and adopt regulations to require the annual disclosure of Scope 1, 2 and 3 GHG emissions, with certain GHG emissions data subject to third party assurance. The bill requires disclosure of Scope 1 and 2 GHG emissions beginning in 2026 for the 2025 reporting year and disclosure of Scope 3 GHG emissions beginning in 2027 for the 2026 reporting year. SB 253 would be effective for public and private companies with total annual revenues exceeding $1 billion and that do business in California. Senate Bill 261 (SB 261) requires biennial disclosures posted on a company's website related to climate-related financial risks and the measures a company has adopted to reduce and adapt to such risks. The bill requires disclosure of the climate-related financial risk disclosures beginning in 2026 for the 2025 reporting year. SB 261 is effective for public and private companies with total annual revenues exceeding $500 million. Both SB 253 and 261 have been challenged in the U.S. District Court for the Central District of California. Further, on September 27, 2024, the California Governor amended both SB 253 and SB 261 by signing into law Senate Bill 219 (SB 219). SB 219 extends the time in which CARB has to promulgate implementing regulations for SB 253 until July 1, 2025, a delay of six months, but does not otherwise change the reporting deadlines in SB 253 or SB 261. The European Union Corporate Sustainability Reporting Directive applies to both EU and non-EU in-scope entities and would require them to disclose various metrics relating to climate change, biodiversity, workforce,

supply chain, and business ethics. TTC is a reporting entity under these laws and management is monitoring the development of implementing regulations.

- The U.S. federal government, several U.S. states, and certain international jurisdictions in which we sell our products, including the EU and each of its member states, have implemented one or more of the following: product life-cycle laws, rules, or regulations, which are intended to reduce waste and environmental and human health impact, and require manufacturers to label, collect, dispose, and recycle certain products, including some of our products, at the end of their useful life, including, but not limited to (i) the Waste Electrical and Electronic Equipment directive, which mandates the labeling, collection, and disposal of specified waste electrical and electronic equipment; (ii) the Restriction on the use of Hazardous Substances directive or similar substance level laws, rules, or regulations, which restrict the use of several specified hazardous materials in the manufacture of specific types of electrical and electronic equipment; (iii) the Registration, Evaluation, Authorization and Restriction of Chemicals directive or similar substance level laws, rules, or regulations that require notification of use of certain chemicals, or ban or restrict the use of certain chemicals; (iv) the Battery Directive, which regulates the manufacture and disposal of batteries; (v) country of origin laws, rules, or regulations, which require certification of the geographic origin of our finished goods products and/or components used in our products through documentation and/or physical markings, as applicable; (vi) energy efficiency laws, rules, or regulations, which are intended to reduce the use and inefficiencies associated with energy and natural resource consumption and require specified efficiency ratings and capabilities for certain products; (vii) outdoor noise laws, which are intended to reduce noise emissions in the environment from outdoor equipment; (viii) conflict minerals laws, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules promulgated by the SEC, which require specific procedures for the determination and disclosure of the use of certain minerals, known as "conflict minerals," which are mined from the Democratic Republic of the Congo and adjoining countries; (ix) other product substance restriction laws, some of which require certain labeling of products, such as California Proposition 65; (x) electromagnetic compatibility laws and regulations, such as the EU Electromagnetic Compatibility directive, and similar laws and regulations in other markets; (xi) wireless product type approvals and licenses in global markets and the EU Radio Equipment Directive and similar laws and regulations related to wireless and radio usage; and (xii) supply chain transparency laws and regulations addressing modern slavery and human trafficking.
- Our products may be subject to various federal, state, and international laws, rules, and regulations that are designed to protect users, including rules and regulations of the U.S. Consumer Product Safety Commission.
- Our vehicle and trailered products may be subject to various federal, state and international laws, rules and regulations related to vehicle safety and compliance with road regulations and safety, including the U.S. National Highway Transportation Safety Administration.
- The manufacture and assembly of products within our facilities must comply with environmental regulations addressing air emissions, wastewater discharge, storm water run-off, and hazardous waste disposal.

Compliance with existing laws, rules, and regulations has not historically had a material impact on our capital expenditures, earnings or global competitive position. With respect to acquired properties and businesses, we conduct due diligence regarding potential exposure to environmental liabilities and overall regulatory compliance but cannot be certain that we have identified or will identify all adverse environmental conditions or non-compliance with applicable laws, rules and regulations. We are also involved in the evaluation and environmental clean-up of a limited number of properties currently and previously owned. We do not expect that these matters will have a material adverse effect on our consolidated financial position or results of operations.

Corporate and Other Available Information

The Toro Company was incorporated in Minnesota in 1935 as a successor to a business founded in 1914 and reincorporated in Delaware in 1983. Our executive offices are located at 8111 Lyndale Avenue South, Bloomington, Minnesota, 55420-1196, and our telephone number is (952) 888-8801.

We are a U.S. public reporting company under the Exchange Act, and file reports, proxy statements, and other information with the SEC. Copies of these reports, proxy statements, and other information can be accessed from the SEC's home page on the Internet at www.sec.gov. We make available, free of charge on our website www.thetorocompany.com (select the "Investors" link and then the "Financials & Filings" link), our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A, Section 16 reports, amendments to those reports, and other documents filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also provide corporate governance and other information, including our sustainability report, on our website. The information contained on our website or connected to our website is not incorporated by reference into, and should not be considered part of, this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

The following are material risk factors known to us that could materially adversely affect our business, reputation, operating results, industry, financial position, or future financial or operational performance. The risks described below are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business, reputation, operating results, industry, financial position, or future financial or operational performance.

Risk Factor Summary

This summary is not complete and should be read in conjunction with the more detailed risk factors set forth below.

Economic and Operational Risks

- Our net sales and earnings have been and will likely continue to be adversely affected by economic conditions and outlook in the locations in which we conduct business.
- If we are unable to enhance existing products and develop and market new products, demand for our products may decrease adversely impacting our net sales and earnings.
- Disruption and/or shortages in commodities, components, parts, or accessories has adversely affected and could continue to adversely affect our business.
- Weather conditions, including conditions exacerbated by global climate change, present chronic and acute physical risks, and have previously impacted, and may continue to impact, demand for some of our products and/or cause disruptions in our operations.
- Our Professional segment net sales are dependent on several factors, including changes to the golf, grounds, irrigation, and construction markets.
- Our Residential segment net sales are dependent on several factors, including product placement, consumer confidence and spending levels and changing customer buying patterns.
- Changes in our product mix have adversely impacted and could continue to adversely impact our operating results.
- We face intense competition, which could harm our business and operating results.
- Increases in the cost of commodities, components, parts, and accessories have adversely affected and could continue to adversely affect our profit margins.
- We are dependent upon our facilities and those of our suppliers and other third parties.
- We are dependent upon a strong, effective labor force.
- Our net sales and other operating results are dependent upon us and our channel customers maintaining appropriate inventory levels.
- We are dependent upon our channel customers.
- We are dependent upon the availability and terms of credit offered to our customers.
- We are dependent upon effective information systems.
- Our international operations involve risk.
- We experience disruptions to our operations from time to time as result of facility changes and renovations.
- There are risks associated with the recent U.S. presidential election, including the imposition, or threat of imposition, of additional tariffs.

Strategic Risks

- Our strategy to pursue acquisitions and alliances, strong customer relations, and new joint ventures, investments, and partnerships and our recent activities in this regard involve risk and may prove to be unsuccessful.
- Climate, environmental, health and safety laws and regulations as well as the impact of increased scrutiny on our environmental, social and governance ("ESG") practices, our ability to meet our ESG company goals, and public perceptions that our products are not environmentally friendly or that our practices are not sustainable could impact our reputation.
- Stock price volatility, including in response to the risks described herein or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry or general economic conditions, and other factors beyond our control.
- There are risks associated with our ability to achieve our financial projections or other business initiatives, including our Amplifying Maximum Productivity ("AMP") initiative, in the time periods that we anticipate or at all.

Financial Risks

- We incur impairment, restructuring, and other charges from time to time which harm our operating results.
- Foreign currency exchange rate fluctuations may harm our operating results.
- We are dependent upon the availability and cost of our credit arrangements and any downgrade in our credit ratings could adversely affect our access to and increase the cost of such arrangements.

- Changes in accounting or tax standards and policies and/or assumptions underlying estimates could harm our results of operations.

Legal, Regulatory, and Compliance Risks

- Our patents, trademarks, and contractual provisions may be insufficient to protect our proprietary rights, or we may infringe the proprietary rights of others.
- Our business, which is subject to extensive regulation, involves legal and regulatory risks.
- We are subject to product quality issues, product liability claims, and other litigation from time to time.

General Risk Factors

- We may not achieve our financial projections or other business and productivity initiatives, which could have an adverse effect on our business, operating results, and financial condition.
- If we are unable to attract and retain key executive and other talent or successfully implement key employee transitions, we may be unable to meet strategic objectives and our business could suffer.

Economic and Operational Risks

Our net sales and earnings have been and could continue to be adversely affected by economic conditions and outlook in the locations in which we conduct business.

Adverse economic conditions and outlook in the U.S. and in other countries in which we conduct business have and could continue to impact our net sales and earnings. These adverse economic conditions include, but are not limited to, business closures, slowdowns, suspensions or delays of production and commercial activity; recessionary conditions; slow or negative economic growth rates; slowdowns or reductions in levels of interest in the game of golf or golf course activity, development, renovation, and improvement; golf course closures; reduced governmental or municipal spending; reduced levels of home ownership, construction, and sales; home foreclosures; negative consumer confidence; reduced consumer spending levels; increased or prolonged high unemployment rates; higher costs, longer lead times, and reduced availability of commodities, components, parts, and accessories, including as a result of transportation-related costs, inflation, changing prices, foreign currency fluctuations, tariffs, and/or duties; inflationary or deflationary pressures; reduced infrastructure spending; the impact of U.S. federal debt, state debt, and sovereign debt defaults and austerity measures by certain European countries; reduced credit availability or unfavorable credit terms for our distributors, dealers, and end-user customers; higher short-term, mortgage, and other interest rates; government shutdowns; and general economic and political conditions and expectations. In the past, some of these factors have caused and may continue to cause our distributors, dealers, and end-user customers to reduce spending and delay or forego purchases of our products, which has had an adverse effect on our net sales and earnings.

If we are unable to continue to enhance existing products and develop and market new products, demand for our products may decrease.

One of our strategies is to develop innovative, customer-valued and high-quality products to generate revenue and earnings growth. In the past, our sales from new products, which we define as those introduced in the current and previous two fiscal years, have represented a significant portion of our net sales and are expected to continue to represent a significant portion of our future net sales. We may not be able to compete as effectively and ultimately satisfy the needs and preferences of our customers, unless we can continue to enhance existing products and develop new and innovative products, including by incorporating new, emerging, and/or disruptive technologies that may become preferred by our customers. For example, we have the transition risk of developing and marketing electric and alternative fuel products to meet market demands for less greenhouse gas intensive products.

Product development, improvement, and introductions require significant financial and technological resources, talent, research, planning, design, development, engineering, and testing at the technological, product, and manufacturing process levels, and we may not be able to timely develop and introduce new products, technologies or product improvements. New and innovative competitive products may beat our products to market; be higher quality or more reliable; be more effective, have more features, and/or be less expensive than our products; incorporate new, emerging, and/or disruptive technologies; obtain better market acceptance; or render our products obsolete. Any new products that we develop may not receive market acceptance or otherwise generate any meaningful net sales or profits for us relative to our expectations based on, among other things, investments in manufacturing capacity and commitments to fund advertising, sales incentive and promotion programs, and research and development.

Disruption and/or shortages in the availability of commodities, components, parts, or accessories has, and could continue to, adversely affect our business.

Global supply chain disruptions, natural disasters, antidumping and countervailing duty petitions regarding certain engines imported into the U.S. from China, and other tariffs have, to various and differing degrees, impacted the availability of commodities, components, parts, and accessories used in our products. In addition, while most of our commodities, components, parts, or accessories are generally commercially available from a number of sources, certain items are sourced from single suppliers, which has limited, and could continue to limit, the availability of commodities, components, parts, and accessories when such suppliers are unable to meet our production requirements and we are unable to source such items from an alternative supplier in a timely manner to meet our production needs. This occurred at times during the past couple of years. Any continued or new disruption or shortages in the availability of commodities, components, parts, or accessories, including as a result of labor staffing, workforce shortage, or other challenges that our suppliers may experience as a result of financial hardship, pandemics and/or epidemics, natural disasters, and adverse weather, the frequency and intensity of which may be exacerbated by climate change, or other events, our inability to timely or otherwise obtain substitutes for such items, or any deterioration in our relationships with, the financial viability or quality of, or the personnel relationships at, our suppliers, could adversely affect our business and operating results.

Weather conditions, including conditions exacerbated by global climate change, present chronic and acute physical risks, and have previously impacted, and may continue to impact, demand for some of our products and/or cause disruptions in our operations.

Weather conditions in particular geographic regions have adversely impacted, and will likely in the future, adversely affect the sales, demand, and field inventory levels and seasonality trends of some of our products. Weather conditions also have disrupted our own manufacturing and distribution facilities and our supply chain, which has impacted our ability to manufacture product to fulfill customer demand, and such disruptions may occur in the future. For example, drought or unusually wet conditions have had, and may continue to have, an adverse effect on sales of certain Residential and Professional mowing equipment products. Unusually rainy weather or severe drought conditions that result in watering bans, or otherwise, have had, and may continue to have, an adverse effect on sales of our irrigation products, and lower snowfall accumulations in key markets have had, and may continue to have, an adverse effect on sales of our Residential snow thrower products and products of our Professional snow and ice management business. Similarly, adverse weather conditions in one season may negatively impact customer purchasing patterns and net sales for some of our products in another season. For example, lower snowfall accumulations may result in lower winter season revenues for landscape contractor professionals, causing such customers to forego or postpone spring purchases of our mowing equipment products.

Further, our facilities and other operations and those of our channel customers and suppliers have incurred losses and experienced disruptions as a result of certain weather conditions and such losses or disruption may continue due to additional natural disasters, inclement weather, and/or climate change-related events, such as tornadoes, hurricanes, earthquakes, floods, tsunamis, typhoons, drought, fire, other extreme weather conditions, and other natural disasters and events that occur as a result of such events, such as water or other natural resource shortages, rising sea levels, power outages or shortages, or telecommunications failures. Our insurance coverage with respect to natural disasters and other disruptions is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate or may not continue to be available at commercially reasonable rates and terms. The occurrence of any such events could negatively impact our business and operating results.

Global climate change may exacerbate the frequency and intensity of unfavorable weather conditions, such as fires, hurricanes, tornadoes, drought, water shortages, rainfall, unseasonably warm winter months, or other weather events, many of which have increased in severity in recent years, in geographic areas where our products are manufactured, distributed, sold, and used and where our supply chains are located, and our sales and operating results may be affected to a greater degree than we have previously experienced. Such weather conditions could pose physical risks to our facilities and critical infrastructure in the U.S. and abroad, disrupt the operation of our supply chain and third-party vendors, and may impact our operational results. Additionally, increased frequency and intensity of weather events due to climate change could lead to lost sales as customers prioritize basic needs.

Our Professional segment includes a variety of products that depend on certain and varied factors.

Our Professional segment includes a variety of products that are sold by distributors or dealers, or directly to government customers, rental companies, professional and other users, including homeowners, engaged in maintaining and creating properties and landscapes, such as golf courses, sports fields, residential and commercial properties and landscapes, and governmental and municipal properties. Any one or a combination of the following factors, among others, have in the past resulted and could in the future result in a decrease in spending and demand for our products, resulting in an adverse effect on our Professional segment net sales and earnings:

- reduced revenue for golf courses resulting from a reduction in the level of interest in the game of golf and/or a decrease in rounds played, memberships, and/or food and beverage sales, as applicable;
- reduced investment in golf course renovations and improvements;
- the level of new golf course development and golf course closures;
- reduced consumer and business spending on property maintenance, such as lawn care and snow and ice removal activities;

- low or reduced levels of infrastructure improvements and other construction activities;
- decreased construction activities for oil, gas, telecommunication, and other utility distribution systems;
- a decline in acceptance of, and demand for, ag-irrigation solutions for agricultural production;
- availability of cash or credit on acceptable terms for our customers to finance new product purchases; and
- customer and/or government budgetary constraints resulting in reduced spending for grounds maintenance or construction equipment.

Our Residential segment net sales depend on several factors, including product placement, consumer confidence and spending levels, changing buying patterns of customers, and the impact of significant sales or promotional events.

The elimination, reduction, or changes in the placement of shelf space assigned to our Residential segment products at mass retailers and home centers have in the past adversely affected and, in the future, could adversely affect our Residential segment net sales. Our Residential segment net sales also depend upon the buying patterns of consumers and changes to buying patterns could result in reduced sales. In addition, as consumers purchase products at home centers and mass retailers that typically offer broader and lower price points than dealers, demand for and sales of our Residential segment products purchased at mass retailers and home centers, as compared to dealers and hardware retailers, have increased, adversely affecting our margins. We believe that our diverse distribution channels and customer base should reduce the long-term impact on us if we were to lose any substantial customer, but the loss of any such customer, a significant reduction in sales to such customers, our inability to maintain adequate product placement at mass retailers and home centers or our inability to respond to future changes in buying patterns of consumers or new distribution channels could have a material adverse impact on our business and operating results. Furthermore, our quarterly or annual results have in the past and could in the future be impacted as a result of the timing of significant sales or promotional events for our Residential products.

Changes in product mix could adversely impact our financial performance, including profit margins and net earnings.

Our Professional segment products generally have higher profit margins than our Residential segment products. Accordingly, our financial performance, including our profit margins and net earnings, have been and will continue to be impacted depending on the mix of products we sell during a given period. For example, if we experience lower sales of our Professional segment products that generally carry higher profit margins than our Residential segment products, our financial performance, including profit margins and net earnings, have been and could continue to be negatively impacted. Similarly, within each reportable segment, if we experience lower sales of products that generally carry higher profit margins, our financial performance, including profit margins and net earnings, have been and could continue to be negatively impacted.

We face intense competition, which could harm our business and operating results.

Our products are sold in highly competitive markets throughout the world and as a result, we compete with many U.S. and non-U.S. companies across our various markets, industries, and product offerings. These competitors and the degree of competition vary widely by industry, product line, end market, geographic scope and/or geographic location. The principal competitive factors in our industries and markets include product innovation; quality and reliability; pricing and sales promotion and incentive programs; product support and customer service; warranty; brand awareness; reputation; distribution, shelf space, and product placement and availability; and financing options. Some of our competitors have substantially larger operations and greater financial resources than us, and some have smaller operations offering various and/or more specialized capabilities to customers, and they may be able to adapt more quickly to new or emerging technologies and changes in customer preferences, or devote greater or more specialized resources to the development, promotion, and sale of their products or disruptive new products or technologies than we can. In addition, competition could increase if new companies enter the market, existing competitors combine or consolidate their operations or if existing competitors expand their product lines or intensify efforts within existing product lines. Our current products, products and technologies under development, and our ability to develop new and improved products and technologies may be insufficient to enable us to compete effectively with our competitors.

Our Residential segment products generally face a higher volume of competition than our Professional segment products given the low barriers to entry resulting in numerous other manufacturers selling products that compete directly with our products. Internationally, our Residential segment products typically face more competition than in the U.S. because many foreign competitors design, manufacture, market, and sell products in their respective countries. In addition, fluctuations in the value of the U.S. dollar may affect the price of our products in foreign markets, thereby impacting their competitiveness. Competitors may move manufacturing operations to low cost countries for significant cost and price reductions, and we may not be able to compete, which could harm our business and operating results.

Increases in the cost of commodities, components, parts, and accessories or our other costs of doing business, have, and could continue to, adversely affect our profit margins and businesses.

We purchase commodities, components, parts, and accessories for use in our manufacturing process and end-products or to be sold as stand-alone end-products, such as steel, aluminum, petroleum and natural gas-based resins, linerboard, copper, lead, rubber, engines, transmissions, transaxles, hydraulics, electrification components, and other commodities, components, parts and accessories. Increased costs and/or inflation, increased tariff, duties, or other charges as a result of changes to U.S. or international trade policies or trade agreements, trade regulation and/or industry activity, or antidumping and countervailing duty petitions on certain products imported from foreign countries, including certain engines imported into the U.S. from China, or the inability of suppliers to continue operations or otherwise remain in business, have affected our profit margins, operating results and businesses and could continue to result in declines in our profit margins, operating results and businesses. Historically, we have mitigated commodity, component, parts, or accessories cost increases, in part, by increasing prices on some of our products and executing on our strategic productivity initiatives, which include, but are not limited to, collaborating with suppliers, reviewing alternative sourcing options, substituting materials, utilizing Lean methods, and engaging in internal cost reduction efforts, all as appropriate. However, during the past couple of years, we experienced higher material, manufacturing, and freight costs, which adversely affected our margins, and we may not be able to fully offset increased commodity, component, parts, or accessories costs in the future. Further, if our price increases are not accepted by our customers and the market, our net sales, profit margins, earnings, and market share could be adversely affected.

We are dependent upon the efficient operation of our facilities and those of our suppliers, channel customers, mass retailers, and home centers where our products are sold.

Production downtime and/or the inability to produce products at our facilities, and those of our suppliers, or other disruptions have occurred, and could continue to occur, as a result of several factors, including supply chain challenges, labor shortages, natural disasters, inclement weather, man-made disasters or other external events, such as terrorist acts or acts of war, pandemics and/or epidemics, boycotts and sanctions, widespread criminal activities, or protests and/or social unrest, or other events, at or in proximity to any of our facilities or in our manufacturing or other operations, or those of our channel customers, mass retailers or home centers where our products are sold, or suppliers. A work slowdown, strike, or similar action could occur at any one of our facilities, or the facilities of our channel customers and suppliers, and such facilities could fail to renew or enter into new collective bargaining agreements or may have to enter into a new collective bargaining agreement at a facility not currently covered by an agreement. Furthermore, we shift production between our manufacturing facilities from time to time, and open new manufacturing and/or distribution facilities, to align production capacity with production goals. Such events and disruptions could make it difficult or impossible to manufacture or to deliver products to our customers, produce or maintain sufficient inventory of our products, receive commodities, components, parts or accessories from our suppliers, or perform critical functions, which could adversely affect our business globally or in certain regions. Such events also may result in shortages of commodities, components, parts, or accessories; higher fuel, transportation, and commodity costs; and delays in shipments to our channel customers.

Any failure by us, or our suppliers or channel partners, to hire and/or retain an adequate labor force could adversely affect our business, operating results, and reputation.

Our labor needs, and those of our suppliers and channel partners, fluctuate throughout the year and by region. During periods of peak manufacturing activity it is often necessary to sharply increase the number of production staff by utilizing new hires and temporary labor. Production staff hired during such periods of peak manufacturing activity may not have the same level of training, competency, experience, or commitment as regular production employees. In addition, due to limited workforce populations in areas around the locations where we, or our suppliers and channel partners, manufacture products or conduct business, or other factors, we, or our suppliers and channel partners, may not have a sufficient pool of individuals with the right skills and experience available to fulfill labor requirements on a cost-effective basis or otherwise.

If we, or our suppliers and channel partners, are unable to hire, train, and/or retain a labor force to adequately staff manufacturing operations, perform service or warranty work, or other necessary activities, we could experience disruptions in our manufacturing and other processes, which have in the past adversely impacted, and could continue to adversely impact, our business, operating results, and reputation.

Our net sales and/or working capital are negatively impacted when we underestimate or overestimate demand for our products or do not maintain appropriate inventory levels.

Our ability to manage our inventory levels to meet our customers' demand for our products and fulfill existing and future sales order backlog is important for our business. Our production levels and inventory management goals for our products are based on estimates of demand for our products, considering production capacity, timing of shipments, existing sales order backlog, and field inventory levels. Managing inventory levels during an uncertain macroeconomic environment is particularly difficult as a result of demand volatility; changes to production operations, locations and schedule; and supply chain challenges limiting our ability to source an adequate supply of commodities, components, parts, and accessories to meet our production requirements. These factors have resulted in, and could continue to result in, manufacturing inefficiencies and related unfavorable manufacturing variances that have negatively impacted, and could continue to impact, our financial results. Our net sales, margins, net earnings, and/or working capital are negatively impacted when we underestimate or overestimate channel or retail demand for our products, we are not able to manufacture product to fulfill customer demand and existing and future sales order backlog, and/or we do not produce or maintain appropriate inventory levels. Furthermore, such impacts hinder our ability to meet customer demand, result in the loss of customers, and could cause us to incur charges associated with inventory valuation adjustments for excess and obsolete inventories.

Our business and operating results are subject to the inventory management decisions of our channel customers.

We are subject to risks relating to the inventory management decisions and operational and sourcing practices of our distribution network. Our channel customers carry inventories of our products as part of their ongoing operations and adjust those inventories based on their assessments of future needs, including anticipated end-customer demand. Such adjustments have impacted our inventory management and working capital goals as well as operating results, and such adjustments may impact us in the future.

Changes in composition of, financial viability of, and the relationships with, our channel customers could negatively impact our business and operating results.

If we fail to maintain an effective network of channel partners, including distributors, dealers, mass retailers, and home centers, for our products, we may not have adequate market coverage for the optimal level of sales of our products. Additionally, our channel customers may not commit the necessary resources to market and sell our products as we would expect, and/or they may not be successful in marketing and ultimately selling our products. Any weak demand for, or quality issues with, our products may cause our channel customers to reduce or terminate their relationships with us or adversely affect our ability to engage new dealers and distributors or maintain or obtain shelf space at mass retailers and home centers. Changes in the ownership or control of our channel customers could also adversely affect our relationships with them. If we are not able to maintain effective distribution channels, if our channel customers are not successful in marketing and selling our products, or if we experience a significant reduction or cancellation or change in the size and timing of orders from our channel customers, our sales could decline and have an adverse effect on our business and operating results.

In addition, if adverse economic conditions, business conditions or other events cause a decline in sales by our channel customers or weakens their financial condition, our net sales and earnings could be adversely affected. Such situation could adversely affect the ability of such customers to pay amounts owed, which could require us to repurchase financed product.

We are dependent upon the availability and terms of credit offered to our customers.

We are a party to various floor plan arrangements in order to provide reliable, competitive floor plan financing to certain of our distributors and dealers primarily in the U.S. and Canada to support their businesses and improve our working capital for our other strategic purposes. As a result, we depend on such arrangements for our inventory financing programs. The availability of financing from our floor plan arrangements is affected by many factors, including, among others, the overall credit markets, the credit worthiness of our dealers and distributors, and regulations that may affect such financing providers. Any material changes in the availability or terms of credit offered to our customers by our floor plan financing providers, challenges or delays in transferring new distributors and dealers from any business we might acquire or otherwise to our available financing platforms, any termination or disruption of our floor plan arrangements, or any delay in securing replacement credit sources could adversely affect our sales and operating results.

We are dependent upon the effective operation of our information systems, software, or information security practices and those of our business partners or third-party service providers.

We have many information systems and other software that are critical to our business and certain of our products, some of which are managed by third parties. These information systems and software are used to record, process, summarize, transmit, and store electronic information, and to manage or support a variety of business processes and activities, including, among other things, our accounting and financial functions; our manufacturing and supply chain processes; managing personal data or other data relating to our customers, suppliers, and employees; and the data related to our research and development efforts. We may be unable to enhance our existing information systems and software or implement new information systems or software when necessary; may experience unanticipated delays, complications, or expenses in implementing, integrating, and operating our systems; and/or require substantial expenditures or interruptions in operations in connection with any system changes we might pursue, including as may be necessary during the integration of acquisitions. The failure of our information systems or software or those of our business partners or third-party service providers to perform properly, or difficulties encountered in the development of or transfer over to new systems or the modification or upgrade of existing systems, could disrupt our business and harm our reputation, which may result in decreased sales, increased overhead costs, excess or obsolete inventory, and product shortages, causing our business, reputation, financial condition, and operating results to suffer. As we continue to develop internet-connected products and other new, emerging, and/or disruptive technologies, similar risks may also be present in the systems, technology, and software installed within such products.

Additionally, we take steps to secure our information systems and software and any access provided by our business partners or third-party service providers, including our computer systems, intranet and internet sites, email and other telecommunications and data networks. However, the security measures we have implemented may not be effective and our systems may be vulnerable to theft, loss, damage, and interruption from a number of potential sources and events, including unauthorized access or security breaches, data privacy breaches, natural or man-made disasters, cyber attacks, computer viruses, malware, phishing, denial of service attacks, power loss, or other disruptive events. Information technology security threats have been increasing in frequency and sophistication. Cyber attacks may be random, coordinated, or targeted, including sophisticated computer crime threats. These threats pose a risk to the security of our systems and networks including those that may be used by our products, and those of our business partners and third-party service providers, and to the confidentiality, availability, and integrity of our data or data of our customers, suppliers or employees. Our business, reputation, operating results, and financial condition could be adversely affected if a significant cyber event or other event, disrupts or shuts down our operations; our confidential, proprietary information or data of our customers, suppliers, or employees is stolen or disclosed; our intranet and internet sites are compromised; data is manipulated or destroyed; we incur costs, are required to pay fines or face other regulatory enforcement actions, or our customers lose confidence in our ability to adequately protect their information in connection with stolen or disclosed customer, employee, or other confidential or sensitive information; we must dedicate significant resources to system repairs or increase cyber security protection; or we otherwise incur significant litigation or other costs. As a result of the SEC rule on cybersecurity disclosure, we are required to disclose, on a current basis pursuant to new Item 1.05 of SEC Form 8-K, any cybersecurity incident that we determine to be material and describe the material aspects of the nature, scope, and timing of the incident, as well as the material impact or reasonably likely material impact of the incident on us, including our financial condition and results of operations. We will also be required to describe, on a periodic basis, our processes, if any, for the assessment, identification, and management of material risks from cybersecurity threats, and describe whether any risks from cybersecurity threats have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition, our board's oversight of risks from cybersecurity threats and management's role in assessing and managing material risks from cybersecurity threats. We have incurred significant costs in an effort to detect and prevent security breaches and incidents, and we may face increased costs and requirements to expend substantial resources in the event of an actual or perceived security breach or incident and to comply with the SEC cybersecurity rule.

Our insurance policies may not be adequate to compensate us for the potential losses arising from any such disruption or failure. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and could have high deductibles in any event, and defending a suit, regardless of its merit, could be costly and divert management attention.

We may incorporate traditional and generative artificial intelligence (AI) solutions into our information systems, products, offerings, services and features, and these solutions may become important in our operations over time. The ever-increasing use and evolution of technology, including cloud-based computing and AI, creates opportunities for the potential loss or misuse of personal data that forms part of any data set and was collected, used, stored, or transferred to run our business, and unintentional dissemination or intentional destruction of confidential information stored in our or our third party providers' systems, portable media or storage devices, which may result in significantly increased business and security costs, a damaged reputation, administrative penalties, or costs related to defending legal claims. If the content, analyses, or recommendations that AI programs assist in producing are or are alleged to be deficient, inaccurate, or biased, our business, financial condition, and results of operations and our reputation may be adversely affected. AI programs may be costly and require significant expertise to develop, may be difficult to set up and manage, and require periodic upgrades. There is also a risk that we may not have access to the technology and qualified AI personnel resources to adequately incorporate ongoing advancements into our AI initiatives, including access to the licensing of key intellectual property from third parties. Our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our results of operations. Our competition may have access to greater financial and technological resources, giving them a competitive advantage in recruiting, motivating, and retaining sought-after AI professionals. AI also presents emerging ethical issues and if our use of AI becomes controversial, we may experience brand or reputational harm, competitive harm, or legal liability. The rapid evolution of AI, including potential government regulation of AI, will require significant resources to develop, test and maintain our platform, offerings, services, and features to help us implement AI ethically in order to minimize unintended, harmful impact.

In addition, our information technology systems require an ongoing commitment of significant resources to maintain, protect, and enhance existing systems and develop new systems. This enables us to keep pace with continuing changes in information processing technology, evolving legal and regulatory standards, the increasing need to protect employee and customer information, changes in the techniques used to obtain unauthorized access to data and information systems, and the information technology needs associated with our evolving products. There can be no assurance that our efforts (including, but not limited to, consolidating, protecting, upgrading, and expanding our systems and capabilities, continuing to build security into the design of our products, and developing new systems to keep pace with continuing changes in information processing technology, including, but not limited to, generative AI platforms) will be successful or that additional systems issues will not arise in the future. For additional information regarding the company's cybersecurity risk management, strategy, and governance, refer to Item 1C. Cybersecurity.

Our international operations require significant management attention and financial resources, expose us to difficulties presented by international economic, political, legal, regulatory, accounting, and business factors, and may not be successful or produce desired levels of net sales and earnings.

International markets have been, and will continue to be, a strategic focus area for revenue growth, both organically and through acquisitions. We currently manufacture our products and maintain sales offices in the U.S. and other countries for sale throughout the world. Our net sales outside the U.S. were 20.1 percent, 20.8 percent, and 19.5 percent of our total consolidated net sales for fiscal years 2024, 2023, and 2022, respectively. We believe many opportunities exist in the international markets, and over time, we intend for international net sales to comprise a larger percentage of our total consolidated net sales; however, expanding our existing international operations and entering into additional international markets requires significant management attention and financial resources. Several factors, including the implications of withdrawal by the U.S. from, or revisions to, international trade agreements, foreign trade or other policy changes between the U.S. and other countries, weakened international economic conditions, the impact of sovereign debt defaults by certain European countries, and current wars and related sanctions and other geopolitical tensions could adversely affect our international net sales.

Many of the countries in which we manufacture or sell our products, or in which we otherwise have a presence are, to some degree, subject to political, economic, and/or social instability. As a result, our international operations expose us and our representatives, agents, and channel customers to risks inherent in operating in foreign jurisdictions. These risks include:

- weakened economic conditions;
- pandemics and/or epidemics;
- increased costs of customizing products for foreign countries;
- difficulties in managing and staffing international operations and increases in infrastructure costs including legal, tax, accounting, and information technology;
- the imposition of additional U.S. and foreign governmental controls or regulations;
- new or enhanced trade restrictions and restrictions on the activities of foreign agents, representatives, and channel customers;
- withdrawal from or revisions to international trade policies or agreements and the imposition or increases in import and export licensing and other compliance requirements, customs duties and tariffs, import and export quotas and other trade restrictions, license obligations, other non-tariff barriers to trade;
- the imposition of U.S. and/or international sanctions against a country, company, person, or entity with whom we do business that would restrict or prohibit our business with the sanctioned country, company, person, or entity;
- international pricing pressures;
- foreign trade or other policy changes between the U.S. and other countries, trade regulation, and/or industry activity that favors domestic companies, including antidumping and countervailing duty petitions on certain products imported from foreign countries, including certain engines imported into the U.S. from China;
- adverse currency exchange rate fluctuations;
- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- potentially higher tax rates and adverse tax consequences, including restrictions on repatriating cash and/or earnings to the U.S.;
- fluctuations in our operating performance based on our geographic mix of sales;
- transportation delays and interruptions;
- national and international conflicts, including the war between Ukraine and Russia, the war between Israel and Hamas, geopolitical tensions and foreign policy changes, acts of war or terrorist acts;
- difficulties in protecting, enforcing or defending intellectual property rights; and
- multiple, changing, and often inconsistent enforcement of laws, rules, regulations and standards, including rules relating to taxes, environmental, health and safety matters.

Our international operations may not produce desired levels of net sales or, among other things, the factors listed above may harm our business and operating results. Any material decrease in our international sales or profitability could also adversely impact our operating results.

We are renovating and expanding certain office, manufacturing, and other facilities and could experience disruptions to our operations in connection with such efforts.

We are continually renovating and, where appropriate or necessary, expanding our facilities, primarily driven by the growth of our business and the need to expand our manufacturing capacity. We have historically financed, and expect to continue to finance, such efforts with cash on hand and cash from operating activities. Expanding and renovating our facilities could disrupt our business operations, and such effects could include but are not limited to potential interruption in manufacturing processes, delivery of raw materials, shipping finished goods, and data flow; unforeseen construction, scheduling, engineering, environmental, or geological problems; and unanticipated cost increases.

Strategic Risks

Our strategy to pursue acquisitions and alliances, strong customer relations, and new joint ventures, investments, and partnerships and our recent activities in this regard involve risk and may not prove to be successful.

One of our strategies is to drive growth in our businesses and expand our global presence through targeted acquisitions and alliances, strong customer relations, and new joint ventures, investments, and partnerships that add value and complement our existing brands and product portfolio. For example, in September 2023, we announced a strategic partnership with Lowe's.

Our continued ability to grow through acquisitions will depend, in part, on the availability of suitable target candidates at acceptable prices, terms, and conditions; our ability to compete effectively for acquisition candidates; and the availability of capital and personnel resources to complete such acquisitions and operate and integrate the acquired business effectively. Any acquisition, alliance, joint venture, investment, or partnership could impair our business, financial condition, reputation, and operating results. For instance, the benefits of an acquisition, or new alliance, joint venture, investment, or partnership may take more time than expected to achieve, or may not develop at all. Acquisitions, alliances, joint ventures, investments, and partnerships may involve a number of risks, the occurrence of which could adversely affect our business, reputation, financial condition, and operating results, including:

- diversion of management's attention to manage and integrate the acquired business;
- disruption to our existing operations and plans;
- inability to effectively manage our expanded operations;
- difficulties, delays, or unanticipated costs in integrating and assimilating information and financial systems, internal controls, operations, manufacturing processes and products or in realizing projected efficiencies, growth prospects, cost savings, and other synergies;
- inability to successfully integrate or develop a distribution channel for acquired product lines;
- loss of key employees, customers, distributors, or dealers of the acquired businesses or adverse effects on existing business relationships with suppliers, customers, distributors, and dealers;
- write-off of significant amounts of goodwill, other indefinite-lived intangible assets, and/or long-lived assets because of deterioration in the performance of an acquired business or product line, adverse market conditions, changes in the competitive landscape, changes in laws or regulations that restrict activities of an acquired business or product line, or other circumstances;
- delays or challenges in transitioning distributors and dealers of acquired businesses to available floor plan financing arrangements;
- violation of confidentiality, intellectual property, and non-compete obligations or agreements by employees of an acquired business or lack of or inadequate formal intellectual property protection mechanisms in place at an acquired business;
- adverse impact on overall profitability if our expanded operations do not achieve, or are delayed in achieving, the growth prospects, net sales, net earnings, cost and/or revenue synergies, or other financial results projected in our valuation models;
- reallocation of amounts of capital from other operating initiatives and/or an increase in our leverage and debt service requirements to pay acquisition purchase prices or other business venture investment costs, which could restrict our ability to access additional capital when needed, result in a decrease in our credit rating, or limit our ability to pursue other important elements of our business strategy;
- failure by acquired businesses or other business ventures to comply with applicable international, federal, and state product safety or other regulatory standards;
- infringement by acquired businesses or other business ventures of valid intellectual property rights of others;
- inaccurate assessment of additional post-acquisition or business venture investments, undisclosed, contingent or other liabilities or problems, unanticipated costs associated with an acquisition or other business venture, and despite the existence of representations, warranties and indemnities in any definitive agreement and/or a representation and warranty insurance policy, if applicable, an inability to recover or manage such liabilities and costs; and
- impacts as a result of purchase accounting adjustments, incorrect estimates made in the accounting for acquisitions, occurrence of non-recurring charges, or other potential financial accounting or reporting impacts.

For example, during the third quarter of fiscal 2023, we recorded non-cash impairment charges of $18.0 million related to the indefinite-lived Spartan® trade name intangible asset and $133.3 million related to Intimidator goodwill. These impairment charges resulted in a $36.7 million income tax benefit (deferred tax asset) associated with the remaining tax deductible basis in goodwill and other intangible assets.

In addition, we need effective internal controls to provide reliable and accurate financial reports and to effectively prevent fraud. Integrating acquired businesses may make our systems and controls more complex and difficult to manage. We devote significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act of 2002. However, we cannot be certain that these measures will ensure that we design, implement, and maintain adequate control over our financial processes and reporting in the future, particularly in the context of acquisitions of other businesses, regardless of whether such acquired business was previously privately or publicly held. Any difficulties in the assimilation of acquired businesses into our internal control framework could harm our operating results or cause us to fail to meet our financial reporting obligations.

Also, some acquisitions may require the consent of the lenders under our credit agreements. We cannot predict whether such approvals would be forthcoming or the terms on which the lenders would approve such acquisitions. These risks, among others, could be heightened if we complete a large acquisition or other business venture or multiple transactions within a relatively short period of time.

Failure to successfully complete divestitures or other restructuring activities could negatively affect our operations.

From time to time, we may divest of all or a portion of certain businesses and/or facilities, joint venture or minority equity investment interests, subsidiaries, distributorships, or product categories. Divestitures involve risk, including, potential increased expense associated with the divestitures, and potential issues with the acquirers, customers or suppliers of the divested business, or products. Occasionally, we may wind down certain business activities and/or facilities, product lines, and/or perform other organizational restructuring projects in an effort to reduce costs and streamline operations. Such activities involve risks as they may divert management's attention from our core businesses, increase expenses on a short-term basis and lead to potential issues with employees, customers, or suppliers. If we do not complete these activities in a timely manner, or do not realize anticipated cost savings, synergies and efficiencies, business disruption occurs during or following such activities, or we incur unanticipated charges, this may negatively impact our business, financial condition, operating results, and cash flows.

Increased scrutiny regarding our ESG practices could impact our reputation.

Increasing governmental and societal attention to ESG matters, including expanding mandatory and voluntary reporting, and disclosure topics such as climate change, sustainability, natural resources, waste reduction, energy, human capital, and risk oversight could expand the nature, scope, and complexity of matters that we are required to control, assess, and report. We strive to deliver shared value through our business and our diverse stakeholders expect us to make progress in certain ESG priority issue areas. To address this growing set of matters, we have taken several actions, including hiring a new executive officer with responsibility for sustainability in July 2023, devoting additional dedicated employee resources, and creating a cross-functional/business sustainability leadership team to further develop and implement an enterprise-wide sustainability strategy. In June 2023, we released our sustainability report for fiscal 2022, which highlights certain aspirations and goals related to ESG matters, such as goals to increase battery and hybrid product sales, plans to reduce certain GHG emissions over time, and goals to increase the number of women and racial and ethnic minorities in leadership positions. No assurance can be provided that we will achieve our new sustainability goals. It is possible that we may be unsuccessful in the achievement of our ESG goals, on a timely basis or at all, or that the costs to achieve those goals become prohibitively expensive. Furthermore, our stakeholders may not be satisfied with our initiatives or efforts or the speed at which we are progressing towards any such aspirations and goals. Additionally, organizations that inform investors on ESG matters have developed rating systems for evaluating companies on their approach to ESG. Unfavorable ratings may lead to negative investor sentiment, which could negatively impact our stock price. Any failure, or perceived failure, to respond to ESG concerns could harm our business and reputation. Certain challenges we face in the achievement of our ESG objectives are also captured within our ESG reporting in our sustainability report for fiscal 2022, which is not incorporated by reference into and does not form any part of this report.

Financial Risks

We incurred non-cash impairment charges during the third quarter of fiscal 2023 which adversely affected our third quarter and full year fiscal 2023 operating results and we may be required to incur additional future impairment and other charges, which could adversely affect our operating results.

In connection with our acquisitions and other business combinations, applicable accounting standards require the net tangible and intangible assets of the acquired business to be recorded on our consolidated balance sheet at their fair values as of the date of acquisition and any excess in the purchase price paid by us over the fair value of net tangible and intangible assets of any acquired business to be recorded as goodwill. Goodwill and indefinite-lived intangible assets are not amortized, but are tested at least annually for impairment or more frequently as events and circumstances dictate. Goodwill is tested for impairment at the reporting unit level, which is generally an operating segment or underlying business component. Indefinite-lived intangible assets are tested for impairment at the individual indefinite-lived intangible asset or asset group level, as appropriate. Finite-lived intangible assets other than goodwill considered long-lived assets for impairment testing purposes, are tested for impairment as events and circumstances dictate, and are required to be amortized over their estimated useful lives and this amortization expense may be significant to our ongoing financial results.

If we determine that the anticipated future cash flows from our reporting units, indefinite-lived intangible assets or asset groups, or long-lived asset groups may be less than their respective carrying values, our goodwill, indefinite-lived intangible assets, and/or long-lived assets may be deemed to be impaired. If this occurs, applicable accounting rules may require us to write down the value of the goodwill, indefinite-lived intangible assets, and/or long-lived assets on our balance sheet to reflect the extent of any such impairment. Any such write-down of goodwill, indefinite-lived intangible assets, and/or long-lived assets would generally be recognized as a non-cash expense in our Consolidated Statements of Earnings for the accounting period during which any such write down occurs.

For example, during the third quarter of fiscal 2023, we recorded non-cash impairment charges of $18.0 million related to the indefinite-lived Spartan trade name intangible asset and $133.3 million related to Intimidator goodwill. These impairment charges resulted in a $36.7 million income tax benefit (deferred tax asset) associated with the remaining tax deductible basis in goodwill and other intangible assets. As of October 31, 2024, we had goodwill of $450.3 million, which is maintained in various reporting units, and indefinite-lived intangible assets of $271.6 million, which together comprise 20.1 percent of our total assets as of October 31, 2024. Any future impairment charges could be significant and could adversely affect our future consolidated operating results and financial condition.

Fluctuations in foreign currency exchange rates have adversely affected and could continue to adversely affect our operating results.

Because the functional currency of most of our foreign operations is the applicable local currency, but our financial reporting currency is the U.S. dollar, we are required to translate the assets, liabilities, expenses, and revenues of our foreign operations into U.S. dollars at the applicable exchange rate in preparing our Consolidated Financial Statements. Accordingly, we face foreign currency exchange rate risk arising from transactions in the normal course of business, such as sales and loans to wholly owned subsidiaries, sales to third-party customers, purchases from suppliers, and bank lines of credit with creditors denominated in foreign currencies.

Foreign currency exchange rates have affected our net sales, net earnings, and operating results in the past and could affect them in the future, in some cases materially. Currency exchange rate fluctuations may also affect the comparative prices between products we sell and products our foreign competitors sell in the same market, which may decrease demand for our products. Substantial exchange rate fluctuations as a result of the strengthening of the U.S. dollar or otherwise, may have an adverse effect on our operating results, financial condition, and cash flows, as well as the comparability of our Consolidated Financial Statements between reporting periods. While we actively manage our foreign currency market risk in the normal course of business by entering into various derivative instruments to hedge against such risk, these derivative instruments involve risks and may not effectively limit our underlying exposure to foreign currency exchange rate fluctuations or minimize our net earnings and cash volatility associated with foreign currency exchange rate changes. Further, the failure of one or more counterparties to our foreign currency exchange rate contracts to fulfill their obligations to us could adversely affect our operating results.

We are subject to financial and operating restrictions and counterparty risk as a result of our credit arrangements.

Our credit arrangements, including our revolving credit facility, term loan and senior notes, and the indentures governing our senior notes and debentures, include a number of financial and operating restrictions. For example, our credit arrangements contain financial covenants that, among other things, require us to maintain a maximum leverage ratio. Our credit arrangements and/or indentures also contain provisions that restrict our ability, subject to specified exceptions, to, among other things, create liens or other encumbrances on our assets; dispose of assets; engage in mergers or consolidations; and pay dividends that are significantly higher than those currently being paid, make other distributions to our shareholders, or redeem shares of our common stock. These provisions may limit our ability to conduct our business, take advantage of business opportunities, and respond to changing business, market, and economic conditions. They may also competitively disadvantage us relative to other companies that may be subject to fewer, if any, restrictions or may otherwise adversely affect our business.

Potential important opportunities or transactions, such as significant acquisitions, may require the consent of our lenders, which consent may be withheld or granted subject to conditions that may affect the attractiveness or viability of the transaction. Additionally, market deterioration or other factors could jeopardize the counterparty obligations of one or more of the banks participating in our revolving credit facility, which could have an adverse effect on our business if we are not able to replace such revolving credit facility or find other sources of liquidity on acceptable terms.

If we do not comply with the terms of our credit arrangements and indentures, they could be terminated and amounts thereunder could become due and payable.

We cannot assure that we will be able to comply with all of the terms of our credit arrangements and indentures, particularly the financial covenants. Our ability to comply with such terms depends on the success of our business and our operating results, as well as various risks, uncertainties, and events beyond our control. If we fail to comply with any covenant required by our credit arrangements following any applicable cure periods, the banks could terminate their commitments unless we could negotiate a covenant waiver. The banks could condition such waiver on terms that may be unfavorable to us. In addition, any amounts outstanding pursuant to our credit arrangements and indentures could become due and payable if we were unable to obtain a covenant waiver or refinance our debt under such arrangements.

A downgrade in our credit ratings could increase our cost of funding and/or adversely affect our access to funding.

Our credit ratings are important to our cost and availability of capital. The major rating agencies routinely evaluate our credit profile and assign credit ratings to us. This evaluation is based on a number of factors, which include financial strength, business and financial risk, transparency with rating agencies, and timeliness of financial reporting. Further leveraging our capital structure could result in a downgrade to our credit ratings. For instance, if our credit rating falls below investment grade and/or our leverage ratio rises above 1.50, the interest rate we currently pay on outstanding debt under our revolving credit facility could increase. As such, failure to maintain investment grade credit ratings could adversely affect our cost of funding and our liquidity by limiting the access to capital markets or the availability of funding from a variety of lenders.

Changes in accounting or tax standards and policies and/or assumptions utilized in determining accounting or tax estimates could adversely affect our results of operations and financial condition.

In preparing the Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles ("GAAP"), we must make decisions that impact our results of operations and/or financial condition, including selecting the appropriate accounting and/or tax principles to be applied and the assumptions on which to base accounting and tax estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of the relevant circumstances, historical experience, and actuarial and other independent external third-party specialist valuations, all as appropriate. As a result, actual amounts could differ from those estimated at the time the Consolidated Financial Statements are prepared.

In addition, various authoritative accounting or regulatory entities, including the Financial Accounting Standards Board, Public Company Accounting Oversight Board, and the SEC may amend, expand, and/or eliminate the financial accounting or reporting standards or tax positions that govern the preparation of our Consolidated Financial Statements or could reverse their previous interpretations or positions on how various financial accounting and/or reporting standards or tax positions should be applied. We disclose the impact of accounting pronouncements that have been issued but not yet adopted within our annual and quarterly reports on Form 10-K and Form 10-Q, respectively. However, we do not provide an assessment of proposed accounting pronouncements, as such proposals are subject to change through the exposure process and therefore, we cannot meaningfully assess their effects on our Consolidated Financial Statements. Future changes to accounting or tax standards could modify the accounting or tax policies and procedures that we currently use to prepare our Consolidated Financial Statements. Such changes may be difficult to predict and implement and could impact how we prepare and report our Consolidated Financial Statements, results of operations, and financial condition.

For additional information regarding our accounting policies and new accounting pronouncements, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the section entitled "Critical Accounting Policies and Estimates" and Note 1, *Summary of Significant Accounting Policies and Related Data,* of the Notes to Consolidated Financial Statements included in Part II, Item 8, “Financial Statements and Supplementary Data,” of this Annual Report on Form 10-K.

Legal, Regulatory, and Compliance Risks

Our patents, trademarks, and contractual provisions may be insufficient to protect our proprietary rights and intellectual property from others who may sell similar products and our products may infringe the valid proprietary rights of others.

We hold patents and trademarks relating to various aspects of our products and business and believe that proprietary technical know-how is important to our business. The loss of such intellectual property could have a material adverse effect on our business and operating results. Proprietary rights relating to our products are protected from unauthorized use by third parties only to the extent that they are covered by valid and enforceable patents or are maintained in confidence as trade secrets. We cannot be certain that we will be issued any patents from any pending or future patent applications owned by or licensed to us, or that the claims allowed under any issued patents will be sufficiently broad to protect our technology. Without enforceable patent protection, we may be vulnerable to competitors who attempt to copy our products or gain access to our trade secrets and know-how. We also cannot be certain that our products or technologies have not infringed or will not infringe the valid proprietary rights of others. Others may initiate litigation to challenge the validity of our patents, allege that we infringe their patents, or use their resources to design comparable products that do not infringe our patents. Additionally, we may initiate proceedings to protect our proprietary rights. Any litigation, whether initiated by us or others, may cause us to incur substantial costs and possible damages. If the outcome of any such litigation is unfavorable to us, our business, operating results, and financial condition could be adversely affected. We could also be forced to develop an alternative that could be costly and time-consuming, or acquire a license, which we might not be able to do on terms favorable to us, or at all.

We rely on trade secrets and proprietary know-how that we seek to protect, in part, by confidentiality agreements with our employees, suppliers, consultants, and others. These agreements may be breached, and we may not have adequate remedies for any such breach. Even if these confidentiality agreements are not breached, our trade secrets may otherwise become known or be independently developed by competitors.

We are subject to extensive laws, rules, policies, and regulations, with which our compliance is costly and not guaranteed.

We are subject to numerous international, federal, state, municipal and other governmental laws, rules, policies, regulations, and orders ("Laws") relating to, among other things; climate change; emissions to air, including engine emission requirements; discharges to water; restrictions placed on water usage and water availability; product and associated packaging; use of certain chemicals; restricted substances, including "conflict minerals" disclosure rules; import and export compliance, including country of origin certification requirements; worker and product user health and safety; energy efficiency; product life-cycles; outdoor noise laws; the generation, use, handling, labeling, collection, management, storage, transportation, treatment, and disposal of hazardous substances, wastes, and other regulated materials; and the registration of certain technologies with various government agencies throughout the world and operation of those technologies within the limits imposed by those agencies, including but not limited to radio frequency, broadband or other wireless technologies and technologies within the airspace of commercial airplanes, such as unmanned aerial systems. In addition, Laws may adversely affect our operating results, including, (i) to address health and safety requirements, (ii) taxation and tax policy changes, tax rate changes, new tax laws, or revised tax law interpretations or guidance, which individually or in combination may cause our effective tax rate to increase or result in tax charges, (iii) changes to, or adoption of new, healthcare laws or regulations, or (iv) changes to U.S. or international trade policies or agreements, or trade regulation and/or industry activity, including antidumping and countervailing duty petitions on certain products imported from foreign countries, including certain engines imported in the U.S. from China, that could result in additional tariffs, duties or other charges on commodities, components, parts or accessories that we import and/or use in our products.

Although we believe that we are in substantial compliance with currently applicable Laws, we are unable to predict the ultimate impact of adopted or future Laws on our company, business, properties, or products. Any of these Laws may cause us to incur significant expenses to achieve or maintain compliance, require us to modify our products, adversely affect the price of, or demand for, some of our products or manufacturing processes, and ultimately affect the way we conduct our operations. Failure to comply with any of these Laws could harm our reputation and/or lead to fines and other penalties, including restrictions on the importation of our products into, and the sale of our products in, one or more jurisdictions. In addition, our competitors may adopt strategies with respect to compliance with any such Laws that differ significantly from ours. This may change customer preferences and our markets in unanticipated ways which may adversely affect market demand for our products and our net sales and financial results. Other Laws impacting our supply chain, such as the United Kingdom Modern Slavery Act, or data privacy requirements, such as the EU's General Data Protection Regulation, the California Consumer Privacy Act, and other emerging domestic and global data privacy and cybersecurity laws, may have similar consequences.

Climate change legislation, regulations, accords, mitigation efforts, or other legislation may adversely impact our operations and could impact the competitive landscape within our markets and affect demand for our products.

We are currently subject to rules limiting exhaust and other emissions and other climate-related rules and regulations in certain jurisdictions where we operate. Concern over climate change has resulted in, and could continue to result in, new legal or regulatory requirements designed to reduce or mitigate the effects of greenhouse gases. An example of such legislation is California's AB 1346, requires that most new sales of small off-road engines, such as those installed in certain of our products, including leaf blowers and lawnmowers, sold in the state of California on or after January 1, 2024 must be zero-emission. We may become subject to additional legislation, regulations, or accords regarding climate change, and compliance with any new rules could be difficult and costly as a result of increased energy, environmental, and other costs and capital expenditures to comply with any such legislation, regulation, or accord or could otherwise decrease demand for our products.

Due to uncertainty in the regulatory and legislative processes and the negotiation and adoption of international climate change accords, as well as the scope of such requirements and initiatives, we cannot currently determine the effect any such legislation, regulation, or accord may have on our products and operations. Additionally, inconsistency of regulations in the states and countries in which we operate may affect the costs of compliance with such requirements. If such laws or regulations are more stringent than current legal or regulatory requirements, we may be subject to curtailment or reduced access to resources or experience increased compliance burdens and costs to meet the regulatory obligations, which may adversely affect our business and operating results.

Additionally, various other legislative proposals, if enacted, could put us in a competitively advantaged or disadvantaged position and affect customer demand for our products. For example, any fiscal-stimulus or other legislation that inordinately impacts the lawn and garden, outdoor power equipment, or irrigation industries generally by promoting the purchase of certain types of products that we sell, such as through customer rebate or other incentive programs, could impact us positively or negatively, depending on whether we manufacture products that meet the specified legislative criteria, including in areas such as fuel efficiency, alternative energy or water usage. Such legislation may also cause customers to perceive our product offerings to be more or less attractive than our competitors' product offerings. We cannot currently predict whether any such legislation will be enacted, the specific terms and conditions of such legislation, such legislation's impact on the competitive landscape within our markets, or how, if at all, any such legislation might ultimately affect customer demand for our products or our operating results.

Our compliance with applicable environmental laws is costly and not guaranteed.

Because we own and lease real property, various environmental laws may impose liability on us for the costs of cleaning up and responding to hazardous substances that may have been released on our property, including releases unknown to us. These environmental laws and regulations could also require us to pay for environmental remediation and response costs at third-party locations where we disposed of or recycled hazardous substances. We are currently involved in the evaluation and clean-up of a limited number of properties we either currently or previously owned. Although we do not expect that these current matters will have a material adverse effect on our financial condition or operating results, our future costs of complying with the various environmental requirements, as they now exist or may be altered in the future, could adversely affect our financial condition and operating results.

We are subject to product quality issues, product liability claims, and other litigation from time to time that could adversely affect our business, reputation, operating results, or financial condition.

The manufacture, sale, and use of our products expose us to significant risks associated with product quality issues and product liability claims and other litigation from time to time. If a product liability claim, other claim or series of claims is brought against us for liabilities exceeding our insurance coverage, and it is ultimately determined that we are liable, our business could suffer. While we believe that we appropriately instruct and warn our customers on the proper usage of our products, we cannot ensure that they will implement our instructions accurately or completely. If our products are defective or used incorrectly by our customers, injury may result and this could give rise to product quality issues and/or product liability claims against us, which could result in losses or damages or adversely affect our brand reputation and the marketability of our products, which may negatively impact our business and operating results.

Product defects can occur through our own product development, design, and manufacturing processes or through our reliance on third-parties for certain component design and manufacturing activities. Some of our products or product improvements were developed or modified relatively recently and defects or risks that we have not yet identified, such as quality issues or unanticipated use of our products, may give rise to warranty or other quality claims and/or product liability claims. Additionally, we could experience a material design, testing, or manufacturing failure in our products, a quality system failure, failures in our products and other challenges that are associated with our inability to properly manage changes in the suppliers and components that we use in our products, insufficient testing procedures, other safety issues, or heightened regulatory scrutiny that could warrant a recall of some of our products. A recall of some of our products could also result in increased product liability claims. Unforeseen product quality and/or product liability problems in the development and production of new and existing products could also result in loss of market share, decreased demand, reduced sales, rework costs, and higher warranty expense.

We are also subject to other litigation from time to time that could adversely affect our business, reputation, operating results or financial condition.

We operate in many different jurisdictions and we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act ("FCPA") and similar worldwide anti-corruption laws.

The U.S. FCPA and similar worldwide anti-corruption laws generally prohibit companies and their intermediaries from making certain improper payments for the purpose of obtaining or retaining business. The continued expansion of our international operations could increase the risk of violations of these laws. Significant violations of these laws, or allegations of such violations, could harm our reputation, disrupt our business, and result in significant fines and penalties that could have a material adverse effect on our operating results or financial condition.

General Risk Factors

We may not achieve our financial projections, sustainability goals, or other business and productivity initiatives, which could have an adverse effect on our business, operating results, and financial condition.

We generally provide financial projections such as our expected revenue growth and adjusted diluted earnings per share. These financial projections are based on management's assumptions and expectations at the time made. Failure to achieve our financial projections could have an adverse effect on our business, operating results, and financial condition.

We have set certain aspirations and goals related to ESG matters, such as goals to increase battery and hybrid product sales, plans to reduce certain GHG emissions over time, and goals to increase the number of women and racial and ethnic minorities in leadership positions. We also set goals and objectives for the timing of certain accomplishments, initiatives and milestones regarding our business or operating results, including without limitation our "Amplifying Maximum Productivity" or AMP initiative, which is a multi-year productivity initiative intended to result in annualized cost savings of more than $100 million by fiscal 2027, driven by sustainable supply-base, design-to-value, route-to-market, and operational efficiency transformation. Whether we achieve our goals and objectives of such initiatives can vary due to several factors, including the risk factors described in this Annual Report on Form 10-K. It is possible that we may be unsuccessful in the achievement of our goals, on a timely basis or at all. A delay, failure or perceived failure or delay to achieve such goals and objectives in the time periods that we anticipate, or at all, could have an adverse effect on our business, operating results and financial condition, and the public perception of our business.

We are dependent upon our ability to attract and retain key executive and employees and successfully implement key employee transitions.

Our ability to meet our strategic objectives and otherwise profitably grow our business will depend to a significant extent on the continued contributions of our leadership team and our ability to identify, attract, engage, develop, and retain other highly qualified employees worldwide. Competition for these individuals is intense, and we may not succeed in identifying, attracting, or retaining qualified employees. Our executive management team and board of directors have undergone significant changes during the past three years. Losing executive officers or other key employees, failure to identify, attract, or retain qualified leaders in the future, ineffective executive officer or other employee transitions, delays or the inability to hire necessary and qualified office or production employees due to employment conditions or otherwise, or any employee work slowdowns, strikes, or similar actions could make it difficult for us to conduct and manage our business and meet key objectives, which could harm our business, financial condition, and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Cybersecurity Risk Management and Strategy

To protect the confidentiality, integrity, and availability of our critical systems and information, our enterprise risk management framework considers cybersecurity risk alongside other company risks, as part of our overall risk assessment process. We leverage an industry leading framework, the National Institute of Standards and Technology Cybersecurity Framework, which organizes cybersecurity risks into five categories: identify, protect, detect, respond and recover. We assess our maturity against that framework in partnership with an independent firm on at least an annual basis.

We assess and manage our cybersecurity risk using various mechanisms, starting with threat intelligence, which provides us a necessary viewpoint to help us identify trends, understand how certain attacks may affect us, and prepare for evolutions in threat actor behavior that may require changes to our security posture. We monitor emerging trends and regulations related to information security, and implement appropriate changes, as needed, to our cybersecurity risk management program.

To drive readiness, we perform periodic adversarial testing of our cybersecurity posture through penetration testing, using both internal resources and external expertise, as well as table-top and "red team" exercises to understand where processes or controls may be insufficient based on adversarial techniques. We have also implemented technical security controls, maintenance of certain backup and protective systems, physical and system securities measures, and data security protocols.

We maintain established information security policies and processes; deploy regular network and endpoint software updates on all company-managed systems and workstations to detect and prevent, among others, viruses, malicious code, unauthorized access, and phishing attempts; maintain a disaster recovery plan, and perform at least two disaster recovery exercises annually to validate and optimize our recovery efforts in event of a cybersecurity incident; and regularly engage third-party cybersecurity experts to conduct vulnerability assessments and penetration testing on our information networks, systems, and applications.

Our internal audit team performs regular assessments of our program and selected components. We also leverage retrospectives from previous cybersecurity incidents to understand weaknesses and to improve our security controls. We assess our critical suppliers regularly for cybersecurity risk and prescribe remediation activities when necessary. As a part of a collaborative defense approach, we regularly participate in multiple cybersecurity forums to share threat intelligence, best practices, and points of caution.

We train our employees through annual security training, phishing simulations, and regular communications about timely cybersecurity topics and threats. We have a documented and well-tested cybersecurity incident response plan that guides us in responding, containing, and eradicating cybersecurity threats that have breached our preventative controls. Examples of relevant processes include steps for: assessing the severity of a cybersecurity threat; identifying the source of a cybersecurity threat, including whether the cybersecurity threat is associated with a third-party service provider; implementing cybersecurity countermeasures and mitigation strategies; and remediating and escalating cybersecurity incidents using cross-functional expertise. Our cybersecurity risk management program also includes risk-based processes related to overseeing and identifying cybersecurity risks associated with the use of third-party providers, including processes related to: conducting cybersecurity assessments of third-party service providers, including cybersecurity obligations in contract with third-party service providers; and receiving and responding to notification of cybersecurity incidents of third-party service providers. We regularly practice technical recovery.

Cybersecurity risks related to third-party IT providers and solutions are managed as part of our vendor security protocol that includes vendors, software, and cloud-based service providers. We partner with our vendors to minimize the customer data needed to provide services and ensure compliance with regulations. Vendors are reviewed annually to identify any changes to services, data requirements, and associated security and protections. Where applicable, vendors are contractually bound to protect customer data and support enforcement of all regulatory requirements. We proactively evaluate the cybersecurity risk of third-party IT providers and solutions by utilizing a repository of risk assessments and an external monitoring solution that includes threat intelligence to better inform us during contracting and vendor selection processes. When third-party risks are identified, we require those third-parties to agree by contract to implement appropriate security controls or refrain from doing business with them. Security issues are documented, tracked, and periodic monitoring is conducted for third-parties in order to mitigate risk.

The Company also contractually requires suppliers, vendors and other third-parties with access to its information technology systems, sensitive business data or personal information to implement and maintain appropriate security controls and contractually restricts their ability to use the Company’s data, including personal information, for purposes other than to provide services to the Company, except as required by law.

Cybersecurity Governance

Our cybersecurity program is led by the Senior Manager of our Enterprise IT Security Risk and Compliance team, who reports to the Managing Director of Enterprise IT. The Senior Manager has over 30 years of IT experience, with over 20 years specializing in cybersecurity. He has strategic and operational responsibility for all aspects of the company’s cybersecurity program, including how cyber risks are identified and assessed and how the company prepares for, detects, responds, and recovers from cyber threats. Quarterly cybersecurity program updates and as-needed reporting on cybersecurity incidents are provided to the Chief Executive Officer, Chief Financial Officer, and General Counsel.

The Audit Committee of our Board of Directors provides oversight for our cybersecurity program. The Audit Committee receives regular updates from management on the effectiveness of our cybersecurity program, reviews plans on how management will continually advance the program, and receives updates on special topics that help the committee provide effective oversight of the program.

Despite our best efforts, we cannot guarantee that our security measures will prevent all potential cybersecurity incidents or breaches. Like most companies, our systems are continually subjected to sophisticated and evolving cybersecurity threats, such as phishing, ransomware, social engineering, and advanced persistent threats. However, to date, we have not been subject to any incidents or successful cyber-attacks that materially impacted our operations or financial condition. Vulnerabilities could lead to significant additional expenses and an adverse effect on our reputation, business, results of operations, financial condition and cash flows. The Company has invested in developing and acquiring cybersecurity capabilities allowing us to monitor threats and manage incident response. We have also developed internal policies to mitigate cybersecurity incidents, including providing clear guidelines for incident classification and response. We recognize the importance of continued monitoring and improvement of our cybersecurity program, and will continue to invest in our security controls, incident response capabilities, and third-party vendor management protocols. Additional information on cybersecurity risks we face is included in Part I, Item 1A, "Risk Factors," which should be read in conjunction with the information in this section.

ITEM 2. PROPERTIES

Our global business operations require the use of various facilities and other properties for manufacturing, distribution, warehousing, engineering and product testing, sales and marketing, and other corporate activities. We generally consider our current facilities to be in good operating condition, suitable for their respective uses, and adequate for our current and future business needs as our business is presently conducted. However, as a matter of course, we review our facilities from time to time as we continue to optimize our global business operations and footprint and may determine that certain of our facilities should be expanded or exited, sold, or utilized in another manner.

Our significant facilities are listed below by location, ownership, and function as of October 31, 2024:

Location	Reportable Segment	Facility Type/Use	Ownership
United States:			
Batesville, Arkansas	Professional	Manufacturing facility, office, and warehouse	Owned/Leased
El Cajon, California	Professional	Manufacturing facility and test site	Owned/Leased
Riverside, California	Professional	Office and test site	Owned/Leased
Sanford, Florida	Professional	Manufacturing facility	Leased
Ankeny, Iowa	Professional & Residential	Distribution center	Leased
Mount Sterling, Kentucky	Professional	Manufacturing facility	Leased
Iron Mountain, Michigan	Professional	Manufacturing facility, office, test site, and warehouse	Owned/Leased
Bloomington, Minnesota	Other activities	Corporate headquarters, test site, and warehouse	Owned/Leased
Shakopee, Minnesota	Professional & Residential	Manufacturing facility	Owned
Windom, Minnesota	Professional & Residential	Manufacturing facility	Owned/Leased
Beatrice, Nebraska	Professional	Manufacturing facility, office, and test site	Owned/Leased
Orrville, Ohio	Professional	Manufacturing facility and office	Owned
West Salem, Ohio	Professional	Manufacturing facility and office	Owned
Perry, Oklahoma	Professional	Manufacturing facility, office, and test site	Owned/Leased
El Paso, Texas	Professional & Residential	Manufacturing facility and distribution center	Owned/Leased
Laredo, Texas	Professional & Residential	Distribution center	Leased
Weatherford, Texas	Professional	Manufacturing facility	Owned
Baraboo, Wisconsin	Professional & Residential	Distribution center	Leased
Lake Mills, Wisconsin	Professional	Manufacturing facility	Owned
Plymouth, Wisconsin	Professional & Residential	Distribution center	Owned
Tomah, Wisconsin	Professional	Manufacturing facility and distribution center	Owned/Leased
International Countries:			
Beverley, Australia	Professional	Manufacturing facility and office	Owned
Braeside, Australia	Professional & Residential	Distribution center	Leased
Oevel, Belgium	Professional & Residential	Distribution center	Owned/Leased
Xiamen City, China	Professional & Residential	Manufacturing facility	Leased
Althengstett, Germany	Professional	Manufacturing facility and office	Owned
Fiano Romano, Italy	Professional	Manufacturing facility and office	Owned/Leased
Juarez, Mexico	Professional & Residential	Manufacturing facility	Leased
Monterrey, Mexico	Professional & Residential	Manufacturing facility	Leased
Ustron, Poland	Professional	Manufacturing facility	Owned
Ploiesti, Romania	Professional	Manufacturing facility and test site	Owned
Hertfordshire, United Kingdom	Professional & Residential	Manufacturing facility, office, and test site	Owned

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are a party to litigation in the ordinary course of business, including claims for punitive, as well as compensatory, damages arising out of the use of our products; litigation and administrative and judicial proceedings with respect to claims involving asbestos and the discharge of hazardous substances into the environment; and commercial disputes, employment disputes, and patent litigation cases. For a description of our material legal proceedings, refer to the heading titled "Litigation" within Note 11, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K, which is incorporated into this Item 3 by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The list below identifies those persons designated by our Board of Directors as executive officers of the company. The list sets forth each such person's age and position with the company as of December 11, 2024, as well as other positions held by the executive for at least the last five years. There are no family relationships between any director, executive officer, or person nominated to become a director or executive officer of the company. There are no arrangements or understandings between any executive officer and any other person pursuant to which such executive officer was selected as an officer of the company.

Name, Age, and Position	Business Experience During the Last Five or More Years
Richard M. Olson 60, Chairman of the Board, President and Chief Executive Officer	Chairman of the Board since November 2017 and President and Chief Executive Officer since November 2016. From September 2015 through October 2016, he served as President and Chief Operating Officer. From June 2014 through August 2015, he served as Group Vice President, International Business, Global Ag-Irrigation Business and Distributor Development.
Jason P. Baab 49, Vice President, Strategy, Corporate Development, and Sustainability	Vice President, Strategy, Corporate Development, and Sustainability since July 2023. Prior to joining the company, he held several roles at Oshkosh Corporation, a global manufacturer of specialty vehicles and equipment, serving as Senior Vice President, Corporate Development, Strategy, and Venture Capital from October 2021 to June 2023 and Vice President from 2017 to September 2021.
Kevin N. Carpenter 50, Vice President, Global Operations and Integrated Supply Chain	Vice President, Global Operations and Integrated Supply Chain since December 2021. Prior to joining the company, he held several roles at Carrier Global Corporation, a global provider of healthy, safe, sustainable and intelligent building and cold chain solutions, serving as Vice President of Operations, Residential and Light Commercial Systems from June 2021 to November 2021, Vice President of Quality and Continuous Improvement from August 2020 to May 2021, Vice President of Operations, Commercial HVAC from February 2020 to July 2020, and Vice President of Advanced Manufacturing from May 2019 to January 2020.
Amy E. Dahl 50, Vice President, International	Vice President, International since June 2023. She previously served as Vice President, International, General Counsel and Corporate Secretary from March 2023 to June 2023. From August 2022 to February 2023 she served as Vice President, General Counsel and Corporate Secretary. From November 2020 through August 2022, she served as Vice President, Human Resources, General Counsel, and Corporate Secretary and from January 2020 through October 2020, she served as Vice President, Human Resources, Distributor Development, General Counsel, and Corporate Secretary. From December 2016 through December 2019, she served as Vice President, Human Resources and Distributor Development.
Angela C. Drake 52, Vice President and Chief Financial Officer	Vice President and Chief Financial Officer since March 2023. She previously served as Vice President, Finance from July 2022 to February 2023. From April 2020 to June 2022, she served as Vice President, Construction and from April 2019 through March 2020, she served as Senior Managing Director, Integration. From February 2011 through March 2019, she served as Chief Financial Officer for The Charles Machine Works, Inc., an underground construction company acquired by the company in April 2019.
Edric C. Funk 52, Group Vice President, Golf, Grounds, and Irrigation	Group Vice President, Golf, Grounds, and Irrigation since November 2022. He previously served as General Manager, Sitework Systems from November 2020 to November 2022, and prior to that led the company's Center for Technology, Research and Innovation from July 2017 to October 2020.
Gregory S. Janey 46, Group Vice President, Landscapes and Contractor	Group Vice President, Landscapes and Contractor since November 2022. He previously served as Vice President, Residential and Landscape Contractor Businesses from November 2019 to November 2022. From November 2017 to October 2019, he served as General Manager, Residential and Landscape Contractor Businesses.
Margeaux M. King 47, Vice President, Human Resources	Vice President, Human Resources since August 2022. Prior to joining the company, she held several roles at Ecolab, a global provider in water, hygiene and infection prevention solutions and services, serving as Senior Vice President, Human Resources, Global Total Rewards & Talent from February 2022 to July 2022, and Senior Vice President, Human Resources, Global Total Rewards from September 2019 to January 2022.
Peter D. Moeller 47, Group Vice President, Underground and Specialty Construction	Group Vice President, Underground and Specialty Construction since March 2023. From November 2020 to February 2023, he served as Vice President, International. From November 2019 to October 2020, he served as Vice President, Sitework Systems.
Kurt D. Svendsen 58, Vice President, Technology	Vice President, Technology since March 2023. From November 2020 to February 2023, he served as Vice President, Strategy, Corporate and Channel Development. From June 2013 to October 2020, he served as Vice President, Information Technology.
Joanna M. Totsky 56, Vice President, General Counsel, and Corporate Secretary	Vice President, General Counsel, and Corporate Secretary since June 2023. Prior to joining the company, she held several roles at Cooper-Standard Holdings, a leading manufacturer of sealing, fuel and brake delivery, and fluid transfer systems, serving as Senior Vice President, Chief Legal and Transformation Officer and Secretary from November 2022 to May 2023, and Senior Vice President, Chief Legal and Compliance Officer and Secretary from July 2019 to October 2022.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock and Cash Dividends

Our common stock is listed for trading on the New York Stock Exchange and trades under the symbol "TTC." As of October 31, 2024 and 2023, we had 175,000,000 shares of common stock, par value $1.00 per share, authorized, and 101,472,125 and 103,843,485 shares of common stock outstanding, respectively. In each quarter of fiscal 2024, our Board of Directors declared a common stock cash dividend of $0.36 per share, which was a 5.9 percent increase over our common stock cash dividend of $0.34 per share paid in each quarter of fiscal 2023. As announced on December 10, 2024, our Board of Directors increased our fiscal 2025 first quarter common stock cash dividend by 5.6 percent to $0.38 per share. Future common stock cash dividends will depend upon our financial condition, results of operations, capital requirements, and other factors deemed relevant by our Board of Directors. Restrictions on our ability to pay dividends are disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Preferred Stock

As of October 31, 2024 and 2023, we had 1,000,000 voting shares and 850,000 non-voting shares of preferred stock, par value $1.00 per share, authorized, none of which were outstanding.

Shareholders

As of December 11, 2024, we had 2,372 shareholders of record.

Issuer Purchases of Equity Securities

Periodically, the company's Board of Directors authorizes the repurchase of shares of the company's common stock in open-market or privately negotiated transactions under the company's Board authorized share repurchase program ("share repurchase program"). The share repurchase program has no expiration date but may be terminated by the company's Board of Directors at any time. Shares of the company's common stock surrendered by employees to satisfy minimum tax withholding obligations upon vesting of certain stock-based compensation awards are not a part of the share repurchase program. The following table sets forth information with respect to shares of our common stock purchased by the company during each of the three fiscal months in our fourth quarter ended October 31, 2024:

Period	Total Number of Shares (or Units) Purchased[1, 2, 3, 4]	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs[1, 2, 3]	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs[1, 2, 3]
August 3, 2024 through August 30, 2024	447,818	$ 89.32	447,818	9,323,599
August 31, 2024 through October 4, 2024	623,330	85.02	623,330	8,700,269
October 5, 2024 through October 31, 2024	529,771	83.29	528,312	8,171,957
Total	1,600,919	$ 85.65	1,599,460	

1 On December 4, 2018, the company's Board of Directors authorized the repurchase of up to 5,000,000 shares under the share repurchase program. The company repurchased 771,417 shares under this tranche of the share repurchase program during the period indicated above and as a result, no shares remained available to repurchase as of October 31, 2024.

2 On December 13, 2022, the company's Board of Directors authorized the repurchase of up to an additional 5,000,000 shares under the share repurchase program. The company repurchased 828,043 shares under this tranche of the share repurchase program during the period indicated above and as a result, 4,171,957 shares remained available to repurchase as of October 31, 2024.

3 On December 10, 2024, the company's Board of Directors authorized the repurchase of up to an additional 4,000,000 shares under the share repurchase program. No shares were repurchased under this tranche of the share repurchase program during the time period indicated above.

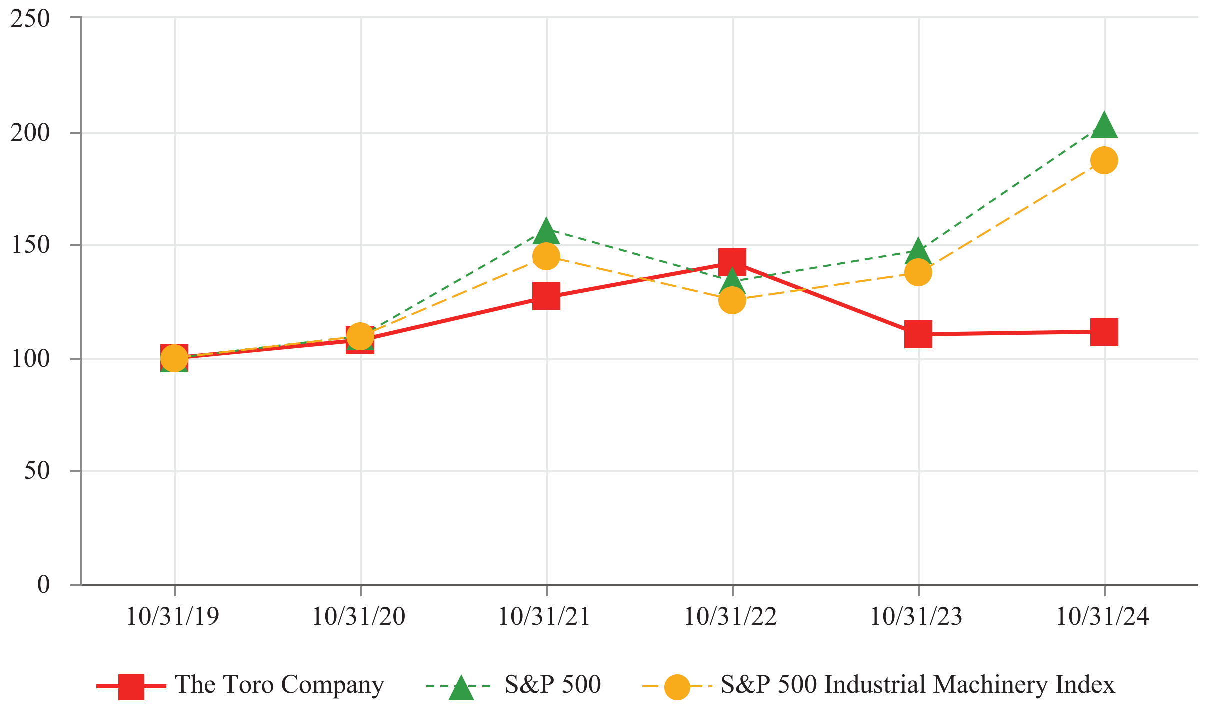
4 Includes 1,459 shares of the company's common stock purchased in open-market transactions at an average price of $82.66 per share on behalf of a rabbi trust formed to pay benefit obligations of the company to participants in the company's deferred compensation plans. These 1,459 shares were not repurchased under the share repurchase program.

The Toro Company Common Stock Comparative Performance Graph

The following stock performance graph and table depict the cumulative total shareholder return (assuming reinvestment of dividends) on $100 invested in each of TTC common stock, the S&P 500 Index, and the S&P 500 Industrial Machinery Index for the five-year period from October 31, 2019 through October 31, 2024. The total returns on TTC common stock depicted in the stock performance graph and table are not necessarily indicative of future performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among The Toro Company, the S&P 500 Index, and the S&P 500 Industrial Machinery Index



*$100 invested on 10/31/19 in stock or index, including reinvestment of dividends. Fiscal years ending October 31.

Fiscal Years Ended October 31	2019	2020	2021	2022	2023	2024
The Toro Company	$ 100.00	$ 107.94	$ 126.82	$ 141.99	$ 110.40	$ 111.61
S&P 500	100.00	109.71	156.79	133.88	147.46	203.52
S&P 500 Industrial Machinery Index	$ 100.00	$ 109.69	$ 144.78	$ 125.70	$ 137.64	$ 187.53

The information contained in The Toro Company Common Stock Comparative Performance Graph section shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically request that it be treated as soliciting material or incorporate it by reference into a document filed under the Securities Act or the Exchange Act.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our Consolidated Financial Statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Our Consolidated Financial Statements and Notes to Consolidated Financial Statements are included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K and all references in this MD&A to the Notes to Consolidated Financial Statements can be found in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

Unless expressly stated otherwise, the comparisons presented in this MD&A refer to the year-over-year comparison of changes in our financial condition and results of operations as of and for the fiscal years ended October 31, 2024 and 2023. Discussion of fiscal 2022 items and the year-over-year comparison of changes in our financial condition and results of operations as of and for the fiscal years ended October 31, 2023 and 2022 can be found in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the fiscal year ended October 31, 2023. Statements that are not historical are forward-looking and involve risks and uncertainties, including those discussed in Part I, Item 1A, "Risk Factors," and elsewhere in this Annual Report on Form 10-K. These risks and uncertainties could cause our actual results to differ materially from any future performance suggested throughout this MD&A.

Our MD&A is presented as follows:

- Company Overview
- Results of Operations
- Business Segments
- Financial Position
- Non-GAAP Financial Measures
- Critical Accounting Policies and Estimates

Throughout this MD&A, we have provided financial and liquidity measures that are not calculated or presented in accordance with U.S. GAAP ("non-GAAP financial measures," "adjusted" before specified financial measures, and "non-GAAP liquidity measures"), as information supplemental and in addition to the most directly comparable financial measures presented in this Annual Report on Form 10-K that are calculated and presented in accordance with U.S. GAAP. We believe that these non-GAAP financial measures, when considered in conjunction with our Consolidated Financial Statements prepared in accordance with U.S. GAAP, provide investors with useful supplemental financial information to better understand our core operational performance and cash flows. These non-GAAP financial measures, however, should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the most directly comparable U.S. GAAP financial measures. Reconciliations of non-GAAP financial measures to the most directly comparable reported U.S. GAAP financial measures are included in the section titled "Non-GAAP Financial Measures."

COMPANY OVERVIEW

Executive Summary

Our fiscal 2024 results included the following items of significance that are provided in summary format here and described in greater detail throughout the "Results of Operations," "Business Segments," and "Financial Position" sections:

- Consolidated net sales for fiscal 2024 were $4,583.8 million, an increase of 0.7 percent compared to $4,553.2 million in fiscal 2023.
- Professional segment net sales for fiscal 2024 were $3,556.9 million, a decrease of 3.2 percent compared to $3,674.6 million in fiscal 2023.
- Residential segment net sales for fiscal 2024 were $998.3 million, an increase of 16.9 percent compared to $854.2 million in fiscal 2023.
- Gross margin was 33.8 percent in fiscal 2024, a decrease of 80 basis points compared to 34.6 percent in fiscal 2023.
- Adjusted gross margin was 33.9 percent in fiscal 2024, a decrease of 80 basis points compared to 34.7 percent in fiscal 2023.
- SG&A expense as a percentage of net sales in fiscal 2024 was 22.2 percent, an increase of 40 basis points compared to 21.8 percent in fiscal 2023.
- Net earnings for fiscal 2024 were $418.9 million, or $4.01 per diluted share, compared to $329.7 million, or $3.13 per diluted share, in fiscal 2023.
- Adjusted net earnings for fiscal 2024 were $435.2 million, or $4.17 per diluted share, compared to $443.5 million, or $4.21 per diluted share, in fiscal 2023.

- Field inventory was higher as of the end of fiscal 2024 compared to the end of fiscal 2023, primarily due to increased shipments of golf and grounds and construction products driven by improved manufacturing output and increased shipments of lawn care equipment to our mass channel partners, partially offset by lower shipments of snow and ice management products and reductions in dealer field inventories of lawn care equipment.
- Our order backlog represents unfulfilled customer orders at a point in time. Our order backlog (including shipments beyond 12 months) decreased $0.8 billion to $1.2 billion as of October 31, 2024 from $2.0 billion as of October 31, 2023, primarily driven by improved manufacturing output. Our order backlog remains significantly elevated over what the company would consider normal, due to demand for golf and grounds and underground construction products continuing to outpace production of such products.

We continued our history of paying quarterly cash dividends throughout fiscal 2024 and increased our fiscal 2024 quarterly cash dividend by 5.9 percent to $0.36 per share compared to $0.34 per share paid in fiscal 2023. We also repurchased shares of our common stock under our share repurchase program, thereby reducing our total shares outstanding. As a result of the combination of quarterly cash dividends and share repurchases, we returned $395.0 million of cash to our shareholders during fiscal 2024. As of October 31, 2024, we had a strong liquidity profile with available liquidity of $1,096.8 million, consisting of cash and cash equivalents of $199.5 million and availability under our revolving credit facility of $897.3 million.

AMP Initiative

In the first quarter of fiscal 2024, we launched a significant productivity initiative named AMP, which is a multi-year initiative intended to result in annualized cost savings of more than $100 million by fiscal 2027, driven by sustainable supply-base, design-to-value, route-to-market, and operational efficiency transformation. We expect to reinvest a portion of the savings from this initiative to drive further innovation and growth. We have recognized $3.8 million of cost savings as of October 31, 2024, which amounts to an estimated $14.5 million of annualized cost savings. Refer to the section titled "Non-GAAP Financial Measures" for information about the productivity initiative charges incurred to generate these savings.

RESULTS OF OPERATIONS

Net Sales

Consolidated net sales in fiscal 2024 were $4,583.8 million compared to $4,553.2 million in fiscal 2023, an increase of 0.7 percent. This net sales increase was primarily driven by higher shipments of Residential segment products, partially offset by lower shipments of Professional segment products.

Net sales in international markets were $923.0 million for fiscal 2024 compared to $947.7 million in fiscal 2023, a decrease of 2.6 percent. The international net sales decrease was primarily driven by lower shipments of Residential segment products, partially offset by higher shipments of Professional segment products. Changes in foreign currency exchange rates resulted in a decrease in our net sales of $4.1 million in fiscal 2024.

The following table summarizes our results of operations as a percentage of our consolidated net sales:

Fiscal Years Ended October 31	2024	2023
Net sales	100.0 %	100.0 %
Cost of sales	(66.2)	(65.4)
Gross margin	33.8	34.6
SG&A expense	(22.2)	(21.8)
Non-cash impairment charges	—	(3.3)
Operating earnings	11.6	9.5
Interest expense	(1.3)	(1.3)
Other income, net	0.9	0.6
Earnings before income taxes	11.2	8.8
Provision for income taxes	(2.1)	(1.6)
Net earnings	9.1 %	7.2 %

Gross Profit and Gross Margin

Gross profit represents net sales less cost of sales and gross margin represents gross profit as a percentage of net sales. Refer to Note 1, *Summary of Significant Accounting Policies and Related Data*, of the Notes to Consolidated Financial Statements within the section entitled "Cost of Sales," for a description of expenses included in cost of sales. Gross profit for fiscal 2024 was $1,549.3 million, down 1.8 percent compared to gross profit of $1,577.6 million in fiscal 2023. Gross margin was 33.8 percent in fiscal 2024 compared to 34.6 percent in fiscal 2023, a decrease of 80 basis points. This gross margin decrease was primarily due to higher material and manufacturing costs and product mix, partially offset by productivity improvements.

Selling, General and Administrative ("SG&A") Expense

SG&A expense increased $20.4 million, or 2.0 percent, in fiscal 2024 compared to fiscal 2023. Refer to Note 1, *Summary of Significant Accounting Policies and Related Data*, of the Notes to Consolidated Financial Statements within the section entitled "Selling, General and Administrative Expense" for a description of expenses included in SG&A expense. As a percentage of net sales, SG&A expense was 22.2 percent in fiscal 2024 compared to 21.8 percent in fiscal 2023, an increase of 40 basis points. The increase in SG&A expense as a percentage of net sales was primarily driven by higher corporate expenses, partially offset by lower marketing costs.

Non-Cash Impairment Charges

We recorded non-cash impairment charges of $151.3 million within our Professional segment in fiscal 2023. No impairment charges were recognized in fiscal 2024.

Interest Expense

Interest expense primarily consists of interest costs incurred on outstanding borrowings related to our fixed and variable interest rate debt arrangements, as well as amortization of the debt issuance costs associated with our debt arrangements. Interest expense for fiscal 2024 increased $3.2 million compared to fiscal 2023. This increase was primarily driven by higher average interest rates, partially offset by lower average outstanding borrowings, in each case during fiscal 2024 compared to fiscal 2023.

Other Income, Net

Other income, net for fiscal 2024 was $41.4 million compared to $28.5 million in fiscal 2023, an increase of $12.9 million. This increase in other income, net was primarily due to net gains on divestitures in fiscal 2024 and higher income from our Red Iron joint venture in fiscal 2024 as compared to fiscal 2023.

Provision for Income Taxes

The effective tax rate for fiscal 2024 was 18.3 percent compared to 17.7 percent in fiscal 2023. The increase in the effective tax rate for fiscal 2024 was primarily due to the impact of non-cash impairment charges in the prior year and lower tax benefits recorded as excess tax deductions for stock compensation in the current year, partially offset by a more favorable geographic mix of earnings in the current year. The adjusted effective tax rate for fiscal 2024 was 18.8 percent, compared to an adjusted effective tax rate of 20.4 percent in fiscal 2023. The decrease in the adjusted effective tax rate was primarily due to a more favorable geographic mix of earnings.

Net Earnings and Net Earnings Per Diluted Share

Fiscal 2024 net earnings were $418.9 million compared to $329.7 million in fiscal 2023, an increase of 27.1 percent. Fiscal 2024 diluted net earnings per share were $4.01, an increase of 28.1 percent from $3.13 per diluted share in fiscal 2023. The increase in net earnings per diluted share for fiscal 2024 was primarily due to the non-cash impairment charges in the prior year and higher Residential segment earnings in the current year, partially offset by lower Professional segment earnings and higher corporate expenses in the current year. Adjusted net earnings for fiscal 2024 were $435.2 million, or $4.17 per diluted share, compared to $443.5 million, or $4.21 per diluted share, in fiscal 2023.

BUSINESS SEGMENTS

As more fully described in Note 3, *Segment Data*, of the Notes to Consolidated Financial Statements, we operate in two reportable business segments: Professional and Residential. Segment earnings for our Professional and Residential reportable segments are defined as earnings from operations plus other income, net. Our remaining activities consisting of a wholly-owned domestic distribution company, Red Iron joint venture, certain corporate activities, and the elimination of intersegment revenues and expenses, are presented as "Other" due to their insignificance. Corporate activities include general corporate expenditures, such as finance, human resources, legal, information technology, public relations, business development, and similar activities, as well as other unallocated corporate assets and liabilities, such as corporate facilities and deferred tax assets and liabilities. The following information provides perspective on the net sales and operating results of our reportable business segments and Other activities.

Professional Segment

Professional segment net sales represented 77.6 percent and 80.7 percent of consolidated net sales for fiscal 2024 and 2023, respectively. The following table presents our Professional segment's net sales, earnings, and earnings margin (dollars in millions):

Fiscal Years Ended October 31	2024	2023
Net sales	$ 3,556.9	$ 3,674.6
Percentage change from prior year	(3.2)%	7.1 %
Segment earnings	$ 638.9	$ 509.1
Segment earnings margin	18.0 %	13.9 %

Professional Segment Net Sales

Net sales for our Professional segment in fiscal 2024 decreased 3.2 percent compared to fiscal 2023. This decrease was primarily driven by lower shipments of lawn care equipment, snow and ice management products, and compact utility loaders, partially offset by higher shipments of golf and grounds and underground construction products.

Professional Segment Earnings

Professional segment earnings increased 25.5 percent in fiscal 2024 compared to fiscal 2023, and Professional segment earnings margin increased to 18.0 percent from 13.9 percent. The increase in Professional segment earnings margin for fiscal 2024 was primarily driven by the non-cash impairment charges in the prior year, productivity improvements, and product mix, partially offset by higher material and manufacturing costs and lower net sales volume.

Residential Segment

Residential segment net sales represented 21.8 percent and 18.8 percent of consolidated net sales for fiscal 2024 and 2023, respectively. The following table presents our Residential segment's net sales, earnings, and earnings margin (dollars in millions):

Fiscal Years Ended October 31	2024	2023
Net sales	$ 998.3	$ 854.2
Percentage change from prior year	16.9 %	(20.1)%
Segment earnings	$ 78.4	$ 68.9
Segment earnings margin	7.9 %	8.1 %

Residential Segment Net Sales

Net sales for our Residential segment in fiscal 2024 increased by 16.9 percent compared to fiscal 2023. This increase was primarily driven by higher shipments of lawn care products to our mass channel, partially offset by lower shipments of snow products.

Residential Segment Earnings

Residential segment earnings increased 13.8 percent in fiscal 2024 compared to fiscal 2023, and Residential segment earnings margin decreased to 7.9 percent from 8.1 percent. This Residential segment earnings margin decrease was primarily driven by product mix and higher material and manufacturing costs, partially offset by productivity improvements and net sales leverage.

Other Activities

Net sales for our Other activities consist of sales from a wholly-owned domestic distribution company less intercompany sales from our Professional and Residential business segments to the wholly-owned domestic distribution company. Net sales for our Other activities represented 0.6 percent and 0.5 percent of consolidated net sales for fiscal 2024 and 2023, respectively.

The following table presents net sales and operating loss for our Other activities (dollars in millions):

Fiscal Years Ended October 31	2024	2023
Net sales	$ 28.6	$ 24.4
Percentage change from prior year	17.2 %	47.9 %
Operating loss	$ (204.5)	$ (177.5)

Other Net Sales

Net sales for our Other activities includes sales from our wholly-owned domestic distribution company net of intersegment sales from the Professional and Residential segments to the distribution company. Net sales for our Other activities in fiscal 2024 increased $4.2 million compared to fiscal 2023.

Other Operating Loss

Operating loss for our Other activities increased $27.0 million in fiscal 2024 compared to fiscal 2023. This year-over-year operating loss increase was primarily driven by higher corporate expenses and higher interest expense.

FINANCIAL POSITION

Working Capital

Our ongoing goal is to maintain requisite inventory levels to meet our anticipated production requirements, avoid manufacturing delays, and meet the demand for our products, as well as working to ensure service parts availability for our customers. The following table highlights several key measures of our working capital performance (dollars in millions):

Fiscal Years Ended October 31	2024	2023
Average receivables, net	$ 480.0	$ 379.2
Average inventories, net	$ 1,156.8	$ 1,134.5
Average accounts payable	$ 449.0	$ 450.9
Average days outstanding for receivables	38.2	30.4
Average inventory turnover (times per fiscal year)	2.6	2.6

As of the end of fiscal 2024, our average net working capital was 25.9 percent compared to 23.3 percent as of the end of fiscal 2023. We calculate our average net working capital as average net accounts receivable plus average net inventory, less average accounts payable as a percentage of net sales for a twelve month period.

The following factors impacted our average net working capital during fiscal 2024 as compared to fiscal 2023:

- Average net receivables increased by 26.6 percent, primarily driven by increased mass channel and international shipments, as well as payment terms to our mass channel. Our average days outstanding for receivables increased to 38.2 days in fiscal 2024 compared to 30.4 days in fiscal 2023.
- Average net inventories increased by 2.0 percent, primarily due to higher balances of compact utility loaders and snow and ice management products.
- Average accounts payable decreased by 0.4 percent, primarily due to the timing of materials purchases.

Capital Expenditures

We make ongoing capital investments in our property, plant, and equipment and believe that in periods of normalized supply chain conditions our historical capital investments in our manufacturing facilities and other capital assets will increase the production capacity and efficiencies of our operations to better enable us to meet the needs of our customers. Fiscal 2024 capital expenditures of $103.5 million were $46.0 million lower than our fiscal 2023 capital expenditures of $149.5 million.

Cash Flows

Cash flows provided by/(used in) operating, investing, and financing activities during the past two fiscal years are shown in the following table (dollars in millions):

	Cash Provided by/(Used in)	
Fiscal Years Ended October 31	**2024**	**2023**
Operating activities	$ 569.9	$ 306.8
Investing activities	(59.7)	(157.7)
Financing activities	(505.1)	(147.5)
Effect of exchange rates on cash	1.3	3.3
Net increase in cash and cash equivalents	6.4	4.9
Cash and cash equivalents as of the end of the fiscal period	$ 199.5	$ 193.1

Cash Flows from Operating Activities

Our primary source of funds is cash generated from operations. In fiscal 2024, cash provided by operating activities increased $263.1 million from fiscal 2023. This increase was mainly due to net favorable fluctuations in working capital.

Cash Flows from Investing Activities

Acquisitions and capital expenditures are a significant use of our capital resources. These investments are intended to enable sales growth in new, existing, and expanding markets, help us meet product demand, and increase our manufacturing efficiencies and capacity. In fiscal 2024, cash used in investing activities decreased $98.0 million from fiscal 2023. This decrease was primarily driven by lower purchases of property, plant, and equipment, higher cash inflows from divestitures, and lower cash outflows for acquisitions, in each case during fiscal 2024 compared to fiscal 2023.

Cash Flows from Financing Activities

In fiscal 2024, cash used in financing activities increased $357.6 million from fiscal 2023. This increase was mainly due to higher repurchases of common stock, changes in activity under the revolving credit facility, and debt repayments, in each case during fiscal 2024 compared to fiscal 2023.

Liquidity and Capital Resources

As of October 31, 2024, we had available liquidity of $1,096.8 million, consisting of cash and cash equivalents of $199.5 million, of which $136.0 million was held by our foreign subsidiaries, and availability under our revolving credit facility of $897.3 million.

We expect that $47.1 million of cash and cash equivalents held by our foreign subsidiaries will be indefinitely reinvested. Should these cash and cash equivalents be distributed in the future in the form of dividends or otherwise, we may be subject to foreign withholding taxes, state income taxes, and/or additional federal taxes for currency fluctuations. As of October 31, 2024, the unrecognized deferred tax liabilities for temporary differences related to our investment in non-U.S. subsidiaries, and any withholding, state, or additional federal taxes upon any future repatriation, are not material and have not been recorded.

We believe our current liquidity position, including the funds available through existing, and potential future, financing arrangements and projected cash flows from operations will be sufficient to provide the necessary capital resources for our anticipated working capital needs, payroll, and other administrative costs, capital expenditures, lease payments, purchase commitments, contractual obligations, acquisitions, investments, establishment of new facilities, expansion and renovation of existing facilities, financing receivables from customers that are not financed with Red Iron or other third-party financial institutions, contingent consideration payments, debt repayments, interest payments, quarterly cash dividend payments, and common stock repurchases, all as applicable, for at least the next twelve months.

Indebtedness

The following is a summary of our indebtedness (dollars in millions):

October 31	2024	2023
Revolving credit facility, due October 2029	$ —	$ 40.0
Term loan, due October 2029	200.0	270.0
Term loan, due April 2027	200.0	200.0
3.81% series A senior notes, due June 2029	100.0	100.0
3.91% series B senior notes, due June 2031	100.0	100.0
3.97% senior notes, due June 2032	100.0	100.0
7.8% debentures, due June 2027	100.0	100.0
6.625% senior notes, due May 2037	124.2	124.2
Less: unamortized debt issuance costs	2.4	2.7
Long-term debt	$ 921.8	$ 1,031.5
Less: current portion of long-term debt	10.0	—
Long-term debt, less current portion	$ 911.8	$ 1,031.5

Principal payments required on our outstanding indebtedness, based on the maturity dates defined within our debt arrangements, for each of the succeeding fiscal years is as follows (dollars in millions):

Succeeding fiscal year	Principal payments
2025	$ 10.0
2026	20.0
2027	270.0
2028	20.0
2029	280.0
Thereafter	325.0
Total principal payments	$ 925.0

Interest payments required on our outstanding indebtedness, assuming no prepayments of indebtedness, for each of the succeeding fiscal years is as follows (dollars in millions):

Succeeding fiscal year	Interest payments
2025	$ 50.6
2026	49.6
2027	43.3
2028	31.0
2029	29.1
Thereafter	95.2

Interest on variable rate debt was calculated using the interest rate as of October 31, 2024.

Our revolving credit facility has a borrowing capacity of up to $900.0 million that matures on October 2, 2029. Included in the revolving credit facility is a $10.0 million sublimit for standby letters of credit and a $75.0 million sublimit for swingline loans. At our election, and with the approval of the named borrowers on the revolving credit facility and the election of the lenders to fund such increase, the aggregate maximum principal amount available under the revolving credit facility may be increased by an amount of up to $450.0 million. As of October 31, 2024 we had no outstanding borrowings under the revolving credit facility and $2.7 million outstanding under the sublimit for standby letters of credit, resulting in $897.3 million of unutilized availability under our revolving credit facility. As of October 31, 2023 we had $40.0 million outstanding borrowings under the revolving credit facility and $2.6 million outstanding under the sublimit for standby letters of credit, resulting in $557.4 million of unutilized availability under our revolving credit facility. As of October 31, 2024, our debt ratings for long-term unsecured senior, non-credit enhanced debt by Standard and Poor's Ratings Group and by Moody's Investors Service were BBB and Baa1, respectively, and in both cases with a stable outlook.

The agreements governing our outstanding indebtedness are described in Note 6, *Indebtedness*, of the Notes to Consolidated Financial Statements. We are in compliance with our debt covenants and other requirements of our revolving credit facility and term loan credit agreements, indentures, and private placement note purchase agreements.

Capital Structure

The following table details the components of our capital structure and debt-to-capitalization ratio (dollars in millions, except percentage data):

October 31	2024	2023
Long-term debt	$ 921.8	$ 1,031.5
Stockholders' equity	$ 1,551.9	$ 1,510.9
Debt-to-capitalization ratio	37.3 %	40.6 %

Our debt-to-capitalization ratio decreased in fiscal 2024 compared to fiscal 2023 primarily due to fiscal 2024 debt repayments and our continued profitability.

Cash Dividends

In each quarter of fiscal 2024, our Board of Directors declared a common stock cash dividend of $0.36 per share, which was a 5.9 percent increase over our common stock cash dividend of $0.34 per share paid each quarter in fiscal 2023. On December 10, 2024, our Board of Directors increased our fiscal 2025 first quarter common stock cash dividend by 5.6 percent to $0.38 per share. Future common stock cash dividends will depend upon our financial condition, results of operations, capital requirements, and other factors deemed relevant by our Board of Directors.

Share Repurchases

Our share repurchase program provides shares for use in connection with our stock-based compensation plans, among other uses, and has no expiration. The following table provides information with respect to repurchases of our common stock during the past two fiscal years (dollars in millions, except share and per share data):

Fiscal Years Ended October 31	2024	2023
Shares of Board authorized common stock purchased	2,777,534	577,115
Cost to repurchase common stock	$ 245.5	$ 60.0
Average price paid per share	$ 88.39	$ 103.97

As of October 31, 2024, 8,171,957 shares remained available for repurchase under our share repurchase program. We currently expect to continue share repurchases in fiscal 2025, depending on our cash balance, debt repayments, common stock price and other market conditions, our anticipated working capital needs, and/or other factors.

Customer Financing

Inventory Financing Arrangements

We are party to inventory financing arrangements with Red Iron, HCFC, and other third-party financial institutions (collectively, the "financial institutions") which provide inventory financing to certain dealers and distributors of certain of our products in the U.S. and internationally. These financing arrangements are structured as an advance in the form of a payment by the financial institutions to us on behalf of a distributor or dealer with respect to invoices financed by the financial institution. These payments extinguish the obligation of the dealer or distributor to make payment to us under the terms of the applicable invoice.

Under separate agreements between the financial institutions and the dealers and distributors, the financial institutions provide loans to the dealers and distributors for the advances paid by the financial institutions to us. Under these financing arrangements, down payments are not required, and depending on the finance program for each product line, finance charges are incurred by us, shared between us and the distributor and/or the dealer, or paid by the distributor or dealer. The financial institutions retain a security interest in the distributors' and dealers' financed inventories and such inventories are monitored regularly through audits. Financing terms to the distributors and dealers require payment as the inventory, which secures the indebtedness, is sold to end-users or when payment otherwise becomes due under the agreements between the financial institutions and the distributors and dealers, whichever occurs first. Rates are generally indexed to the Secured Overnight Financing Rate ("SOFR"), or an alternative variable rate, plus a fixed percentage that differs based on whether the financing is for a distributor or dealer. Rates may also vary based on the product that is financed.

The net amount of receivables financed for dealers and distributors under the arrangement with Red Iron during fiscal 2024 and 2023 was $2,613.3 million and $2,789.5 million, respectively. The total amount of net receivables outstanding under the arrangement with Red Iron as of October 31, 2024 and 2023 was $979.6 million and $1,019.0 million, respectively. The total amount of receivables due from Red Iron to us as of October 31, 2024 and 2023 were $26.0 million and $34.4 million, respectively.

The net amount of receivables financed for dealers and distributors under the arrangements with HCFC and the other third-party financial institutions during fiscal 2024 and 2023 was $612.1 million and $545.4 million, respectively. As of October 31, 2024 and 2023, $272.2 million and $234.7 million, respectively, of receivables financed by HCFC and the other third-party financial institutions were outstanding.

Inventory Repurchase Agreements

We have entered into a limited inventory repurchase agreement with Red Iron and HCFC under which we have agreed to repurchase certain repossessed products, up to a maximum aggregate amount of $7.5 million in a calendar year.

We have also entered into inventory repurchase agreements with the other third-party financial institutions under which we have agreed to repurchase certain repossessed products. As of October 31, 2024 and 2023, we were contingently liable to repurchase up to a maximum amount of $29.5 million and $32.2 million of repossessed inventory, respectively.

Our financial exposure under these inventory repurchase agreements is limited to the difference between the amount paid to Red Iron, HCFC or other third-party financing institutions for repurchases of inventory and the amount received upon subsequent resale of the repossessed product. We have repurchased immaterial amounts of inventory pursuant to such arrangements over the past three fiscal years. However, a decline in retail sales or financial difficulties of our distributors or dealers could cause this situation to change and thereby require us to repurchase financed product, which could have an adverse effect on our results of operations, financial position, or cash flows.

End-User Financing

We have agreements with third-party financing companies to provide financing options to end-customers throughout the world. The purpose of these agreements is to provide end-users of our products alternative financing options when purchasing our products. We have no material contingent liabilities for residual value or credit collection risk under these agreements with third-party financing companies.

From time to time, we enter into agreements where we provide recourse to third-party finance companies in the event of default by the customer for financing payments to the third-party finance company. We may recover a portion of any required recourse payments incurred under these agreements from repossession and resale of the equipment collateralizing the receivables. Our maximum exposure for credit collection under those arrangements as of October 31, 2024 and 2023 was $2.9 million and $5.2 million, respectively.

Termination or any material change to the terms of our end-user financing arrangements, availability of credit for our customers, including any delay in securing replacement credit sources, or significant financed product repurchase requirements could have a material adverse impact on our future operating results.

Open Account Terms

We continue to provide financing in the form of open account terms directly to home centers and mass retailers, general line irrigation dealers, certain domestic and international distributors and dealers, ag-irrigation dealers and distributors, government customers, and rental companies.

NON-GAAP FINANCIAL MEASURES

We have provided in this Annual Report on Form 10-K 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 that are calculated and presented in accordance with U.S. GAAP. We use these non-GAAP financial measures in making operating decisions and assessing liquidity because we believe they provide meaningful supplemental information regarding our core operational performance and cash flows, as a measure of our liquidity, and provide us with a better understanding of how to allocate resources to both ongoing and prospective business initiatives. Additionally, these non-GAAP financial measures facilitate our internal comparisons to both our historical operating results and to our competitors' operating results by factoring out potential differences caused by charges and benefits not related to our regular, ongoing business, including, without limitation, certain non-cash, large, and/or unpredictable charges and benefits; acquisitions and dispositions; legal judgments, settlements, or other matters; and tax positions.

We believe that these non-GAAP financial measures, when considered in conjunction with our Consolidated Financial Statements prepared in accordance with U.S. GAAP, provide investors with useful supplemental financial information to better understand our core operational performance and cash flows. These non-GAAP financial measures should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the most directly comparable U.S. GAAP financial measures. The non-GAAP financial measures may differ from similar measures used by other companies.

Reconciliation of Non-GAAP Financial Measures

The following table provides a reconciliation of financial performance measures calculated and reported in accordance with U.S. GAAP to the most directly comparable non-GAAP financial performance measures for the fiscal years ended October 31, 2024 and 2023 (dollars in millions, except per share and percentage data):

Fiscal Years Ended	October 31, 2024	October 31, 2023
Gross profit	$ 1,549.3	$ 1,577.6
Acquisition-related costs[1]	—	0.2
Restructuring charges[2]	—	1.2
Productivity initiative[3]	5.7	—
Adjusted gross profit	$ 1,555.0	$ 1,579.0
Gross margin	33.8 %	34.6 %
Restructuring charges[2]	— %	0.1 %
Productivity initiative[3]	0.1 %	— %
Adjusted gross margin	33.9 %	34.7 %
Operating earnings	$ 533.3	$ 430.7
Acquisition-related costs[1]	—	0.4
Restructuring charges[2]	—	5.0
Productivity initiative[3]	27.2	—
Non-cash impairment charges[4]	—	151.3
Adjusted operating earnings	$ 560.5	$ 587.4
Operating earnings margin	11.6 %	9.5 %
Restructuring charges[2]	— %	0.1 %
Productivity initiative[3]	0.6 %	— %
Non-cash impairment charges[4]	— %	3.3 %
Adjusted operating earnings margin	12.2 %	12.9 %
Earnings before income taxes	$ 512.8	$ 400.5
Acquisition-related costs[1]	—	0.4
Restructuring charges[2]	—	5.0
Productivity initiative[3]	23.1	—
Non-cash impairment charges[4]	—	151.3
Adjusted earnings before income taxes	$ 535.9	$ 557.2
Income tax provision	$ 93.9	$ 70.8
Restructuring charges[2]	—	1.1
Productivity initiative[3]	3.3	—
Non-cash impairment charges[4]	—	36.7
Tax impact of stock-based compensation[5]	3.5	5.1
Adjusted income tax provision	$ 100.7	$ 113.7
Net earnings	$ 418.9	$ 329.7
Acquisition-related costs[1]	—	0.4
Restructuring charges[2]	—	3.9
Productivity initiative[3]	19.8	—
Non-cash impairment charges[4]	—	114.6
Tax impact of stock-based compensation[5]	(3.5)	(5.1)
Adjusted net earnings	$ 435.2	$ 443.5
Net earnings per diluted share	$ 4.01	$ 3.13
Restructuring charges[2]	—	0.04
Productivity initiative[3]	0.19	—
Non-cash impairment charges[4]	—	1.09
Tax impact of stock-based compensation[5]	(0.03)	(0.05)
Adjusted net earnings per diluted share	$ 4.17	$ 4.21
Effective tax rate	18.3 %	17.7 %
Productivity initiative[3]	(0.2)%	— %
Non-cash impairment charges[4]	— %	1.5 %
Tax impact of stock-based compensation[5]	0.7 %	1.2 %
Adjusted effective tax rate	18.8 %	20.4 %

[1] On January 13, 2022, we completed our acquisition of Intimidator. Acquisition-related costs for the fiscal year ended October 31, 2023 represent integration costs incurred in connection with the acquisition. For additional information regarding this acquisition, refer to Note 2, *Acquisitions and Divestitures*, of the Notes to Consolidated Financial Statements.

[2] In the fourth quarter of fiscal 2023, we initiated a restructuring program which was completed in the first quarter of fiscal 2024. The restructuring charges associated with the program for the fiscal year ended October 31, 2023 represent accrued severance, termination benefits, and other exit-related expenses.

[3] In the first quarter of fiscal 2024, we launched a significant productivity initiative named AMP, as discussed in more detail under the heading "Company Overview-AMP Initiative" in this section. We considered the nature, frequency, and scale of this initiative compared to our prior productivity initiatives when determining that the expenses associated with AMP, unlike our prior productivity initiatives, are not common, normal, recurring operating expenses and are not representative of our ongoing business operations. Productivity initiative charges for the fiscal year ended October 31, 2024 primarily represent asset write-offs, third-party consulting costs, product-line exit costs, and compensation for fully-dedicated AMP personnel, partially offset by a gain on divestiture.

[4] At the end of the third quarter of fiscal 2023, we recorded non-cash impairment charges within our Professional reportable segment.

[5] 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 fiscal years ended October 31, 2024 and 2023.

Reconciliation of Non-GAAP Liquidity Measures

We define 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. We consider free cash flow and free cash flow conversion percentage to be non-GAAP liquidity measures that provide useful information to management and investors about our 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 our Consolidated Balance Sheets, after reinvesting in necessary capital expenditures required to maintain and grow our business.

The following table provides a reconciliation of 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 fiscal years ended October 31, 2024 and October 31, 2023 (dollars in millions, except percentage data):

Fiscal Years Ended	October 31, 2024	October 31, 2023
Net cash provided by operating activities	$ 569.9	$ 306.8
Less: Purchases of property, plant and equipment, net of proceeds from insurance claim	99.2	142.4
Free cash flow	470.7	164.4
Net earnings	$ 418.9	$ 329.7
Free cash flow conversion percentage	112.4 %	49.9 %

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our Consolidated Financial Statements in conformity with U.S. GAAP, we must make decisions that impact the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, historical experience, and actuarial and other independent external third-party specialist valuations, when applicable. As a result, actual amounts could differ from those estimated at the time the Consolidated Financial Statements are prepared.

Our significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements. Some of those significant accounting policies require us to make difficult, subjective, or complex judgments or estimates. An accounting estimate is considered to be critical if it meets both of the following criteria: (i) the estimate requires assumptions about matters that are highly uncertain and susceptible to change at the time the accounting estimate is made and different estimates reasonably could have been used and (ii) changes in the estimate may have a material impact on the presentation of our financial condition or results of operations. Our critical accounting policies and estimates include the following:

Sales Promotions and Incentives

We recognize revenues based on the transaction price of the good or service sold to our customers, which is measured as the amount of consideration we expect to receive in exchange for transferring product or rendering services pursuant to the terms of the contract with a customer. The amount of consideration we receive and the revenue we recognize varies with changes in the variable consideration associated with the estimated expense of certain of our sales promotions and incentives programs offered to customers that are determined to represent price concessions. The estimated expense of each sales promotion and incentive program is classified and recorded as a reduction from gross sales or as a component of SG&A expense within the Consolidated Statements of Earnings when revenue is recognized, depending on the nature of the respective program. Generally, the cost of a program is recorded as a reduction from gross sales when revenue is recognized and thus is considered to be variable consideration if the expense is determined to represent a price concession because the program either: (i) results in an immediate reduction of the transaction price with no anticipated future costs or consideration to be provided to the customer or (ii) we anticipate a future cost based on historical or expected future business practice for which we do not receive a distinct good or service in exchange for the future consideration provided to the customer under the program. In other circumstances, the anticipated future cost of a program based on historical or expected future business practice is recorded as SG&A expense because we receive a distinct good or service in exchange for the future consideration provided to the customer under the program.

Examples of significant sales promotions and incentive programs that are considered to be variable consideration because the cost of the program is classified as a reduction from gross sales are as follows:

- **Off-Invoice Discounts:** Our off-invoice discounts represent an immediate reduction in the selling price of our products that is realized at the time of sale with no anticipated future cost or consideration provided to the customer.
- **Rebate Programs:** Our rebate programs are generally based on claims submitted from either our direct customers or end-users of our products or are based on our purchase or retail sales goals for our direct customers of certain quantities or mixes of product during a specified time period, depending upon the program. The amount of the rebate varies based on the specific program and is either a dollar amount or a percentage of the purchase price and can also be based on actual retail price as compared to our selling price. Consideration is typically provided to our customers for our rebate programs after the initial sale of our products to our direct customers and thus, there is generally an anticipated future cost at the time revenue is recognized based on historical and expected future business practice.
- **Financing Programs:** Our financing programs consist of inventory financing arrangements with financial institutions and end-user financing. Costs incurred for inventory financing arrangements represent dealer and distributor financing costs shared by the company for a pre-established length of time based on a predefined rate from the contract between the company and the financial institution to finance dealer and distributor inventory purchases. End-user financing is offered to end-user customers under which we, at our discretion, may pay a portion of interest costs on behalf of end-users for financing purchases of our equipment.

Examples of significant sales promotions and incentive programs that are not considered to be variable consideration because the cost of the program is classified as a component of SG&A expense are as follows:

- **Commissions Paid to Distributors and Dealers**: For certain products, we use a distribution network of distributors and dealers that purchase and take possession of products for sale to the end customer. We also have dealers and distributors that act as sales agents for us on certain products using a direct-selling type model. Under this direct-selling type model, our network of distributors and dealers facilitates a sale directly to the dealer or end-user customer on our behalf. Commissions to distributors and dealers in these instances represent commission payments to sales agents that are also our customers. In addition, TTC dealers are often paid a commission to set up and deliver riding product purchased at certain mass retailers and home centers.
- **Cooperative Advertising:** Cooperative advertising programs are based on advertising costs incurred by distributors and dealers for promoting our products. We support a portion of those advertising costs in which claims are submitted by the distributor or dealer along with evidence of the advertising material procured/produced and evidence of the cost incurred in the form of third-party invoices or receipts.

Regardless of classification of the cost of the sales promotion and incentive program within the Consolidated Statements of Earnings, we record an accrual within the Consolidated Balance Sheets for the estimated future expense of certain of our sales promotion and incentive programs for which we anticipate a future cost based on historical or expected future business practice by using the expected value method and applying the portfolio approach practical expedient under the accounting standards codification guidance for revenue from contracts with customers. Under such approach, our determination of variable consideration associated with the estimated expense of certain of our sales promotions and incentives programs is primarily based on the terms of the sales arrangements and sales promotion and incentive programs with customers, historical payment and rebate claims experience, field inventory levels, quantity or mix of products purchased, projected sales volumes, types of programs offered, and expectations for the acceptance of sales promotion and incentive programs offered in the future or changes in other relevant trends.

Of our sales promotion and incentive programs that are considered to be variable consideration, our off-invoice discounts and financing programs are less subject to complex judgment or estimates as compared to our rebate programs, which are subject to a more significant level of estimation uncertainty as they require inputs and assumptions that are more susceptible to change or subjectivity. Specifically, our rebate programs are primarily sensitive to fluctuations in historical payment and rebate claims experience as compared to actual realized payment and rebate claims, field inventory levels, and projected wholesale and retail sales volumes and the quantity or mix of products.

Adjustments to sales promotions and incentive accruals are made from time to time as actual usage becomes known in order to properly estimate the amounts necessary to generate consumer demand based on market conditions as of the balance sheet date. As of October 31, 2024, we had recorded an accrual for sales promotion and incentive programs of $180.4 million within the Consolidated Balance Sheets. We believe that our accrual for sales promotion and incentive programs is adequate as of October 31, 2024 and historically has been adequate; however, due to the inherent uncertainty in the accrual estimation process, actual results may differ from these estimates if competitive factors dictate the need to enhance or modify sales promotion and incentive programs or if customer usage, product mix, or field inventory levels vary from historical trends.

Impairment

Goodwill

Goodwill is initially recognized as a result of the excess of purchase consideration transferred over the estimated fair value of the net assets acquired in a business combination. As of October 31, 2024, our goodwill balance was $450.3 million. Goodwill is not amortized, but is assessed for impairment at the reporting unit level at least annually during the fourth quarter of each fiscal year unless events or changes in circumstances indicate that impairment may have occurred prior to the annual assessment. Based on a change made to our operating segments during the third quarter of fiscal 2024, as discussed in Note 3, *Segment Data*, of the Notes to Consolidated Financial Statements, we also changed our reporting units which became the same as our nine operating segments. The company tested goodwill of the new reporting units for impairment both before and following the change in reporting unit structure, and no impairment was identified. Seven of our reporting units contained goodwill on their respective balance sheets as of October 31, 2024.

During the fourth quarter of fiscal 2024, consistent with prior fiscal years, we performed our annual quantitative goodwill impairment assessment, which is a one-step process. In performing the quantitative analysis, we compare the carrying value of a reporting unit, including goodwill, to its fair value. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not impaired. If the carrying value of a reporting unit exceeds its fair value, an impairment charge would be recognized for the amount by which the carrying value of the reporting unit exceeds the its fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Based on the fourth quarter annual quantitative goodwill impairment analysis, we determined there was no impairment of goodwill for any of our reporting units as the fair value of each reporting unit exceeded its respective carrying value, including goodwill. Further, the fair value of each reporting unit exceeded its respective carrying value, including goodwill, in excess of 15 percent.

The fair value of each reporting unit under the quantitative goodwill impairment test was determined using a discounted cash flow model under the income approach which requires the use of significant judgment regarding the selection of various inputs and assumptions, including projected operating results and growth rates from the company's projection process, applicable tax rates, estimated capital expenditures and depreciation, estimated changes in working capital, terminal growth rates applied to projected operating results in the terminal period, and a weighted-average cost of capital ("WACC") rate. Actual future results may differ significantly from the assumptions used in our valuations resulting in future impairment losses and such losses could be material. As such estimates are sensitive to changes in the underlying inputs and assumptions, we performed sensitivity analyses to address this risk. The WACC rate could be increased by 140 basis points with no impairment indicated for any of our reporting units. Additionally, the terminal growth rate could be decreased by 210 basis points with no impairment indicated for any of our reporting units.

These inputs and assumptions, which are independently determined and vary for each reporting unit, are based on historical experience, our projections of future operating results and contemplate current and future business, industry, and economic conditions, as well as relevant observable market inputs and consideration of risk regarding future performance for purposes of determining the WACC and terminal growth rates. The WACC rate selected is commensurate with the risks and uncertainty inherent in the respective reporting unit and in our projected operating results and is calculated based on weighted average returns on debt and equity from guideline public companies. Therefore, changes in the market that are beyond our control and that impact our guideline public companies may have an adverse effect on our future calculations of the estimated fair values of our reporting units. Terminal growth rates are generally determined based on economic and industry growth expectations, while also considering the lifecycle stage of each respective reporting unit. Where available, and as appropriate, comparable EBITDA and revenue multiples are derived from the market prices of stocks of guideline public companies and are used to assist in developing an estimated business enterprise value of our reporting units under the market approach to corroborate our determination of the estimated fair values of our reporting units under the income approach. Identifying appropriate guideline public companies for purposes of computing estimated market multiples and selecting an appropriate WACC rate is subjective. We select guideline public companies that are engaged in the same or similar lines of business and that have reasonably similar qualitative factors as our reporting units, while also considering relevant quantitative factors such as profitability and market capitalization, where applicable. As a final corroboratory step, we reconcile the aggregate estimated fair value of our reporting units resulting from the income approach to our company's market capitalization.

While our annual impairment assessment performed in the fourth quarter of fiscal 2024 supported the carrying amount of our goodwill, we may be required to re-evaluate the carrying amounts in future periods utilizing different inputs and assumptions that reflect the then current market conditions and expectations regarding our operating performance, which may result in a future impairment that could be material.

Fiscal 2023 Impairment

During the preparation of the financial statements for the third quarter of fiscal 2023, we concluded that impairment indicators existed for our Intimidator goodwill. Based on the resulting impairment assessment performed, we recorded an impairment charge of $133.3 million in the third quarter of fiscal 2023. For additional information regarding the impairment charge, refer to Note 1, *Summary of Significant Accounting Policies and Related Data*, of the Notes to Consolidated Financial Statements.

Indefinite-Lived Intangible Assets

Indefinite-lived intangible assets are initially recognized at their estimated fair values as a result of a business combination or asset acquisition. As of October 31, 2024, our indefinite-lived intangible asset balances, which consist of certain trade names, were $271.6 million. Indefinite-lived intangible assets are not amortized, but are assessed for impairment at least annually during the fourth quarter of each fiscal year unless events or changes in circumstances indicate that impairment may have occurred prior to the annual assessment. We assess indefinite-lived intangible assets for impairment at the individual indefinite-lived intangible asset or asset group level, as appropriate.

During the fourth quarter of fiscal 2024, consistent with prior fiscal years, we performed our annual quantitative impairment assessment for indefinite-lived intangible assets by comparing the carrying amounts of each respective asset, or asset group, to its estimated fair value. If the fair value of the indefinite-lived intangible asset, or asset group, is less than its carrying value, an impairment loss is recognized in an amount equal to the excess. Based on our fourth quarter quantitative impairment analysis, we determined that our indefinite-lived intangible assets were not impaired as the estimated fair value of each of our indefinite-lived intangible assets exceeded its carrying value. Further, the fair value of each of our indefinite-lived intangible assets exceeded its carrying value in excess of 32 percent.

Fair value was determined using the relief-from-royalty method under the income approach which requires the use of significant judgment regarding the selection of various inputs and assumptions, including projected revenues from the company's projection process, assumed royalty rates that could be payable if the company did not own the intangible asset, terminal growth rates applied to projected revenues, applicable tax rates, and a discount rate. These inputs and assumptions contemplate business, industry, and overall economic conditions, as well as relevant market data for royalty rates of similar intangible assets. Actual future results may differ significantly from the assumptions used in our valuations resulting in future impairment losses and such losses could be material. As such estimates are sensitive to changes in the underlying inputs and assumptions, we performed sensitivity analyses to address this risk. The discount rate could be increased by 270 basis points with no impairment indicated for any of our indefinite-lived intangible assets. The royalty rate could be decreased by 70 basis points with no impairment indicated for any of our indefinite-lived intangible assets.

Fiscal 2023 Impairment

During the preparation of the financial statements for the third quarter of fiscal 2023, we concluded that impairment indicators existed for our indefinite-lived Spartan trade name intangible asset. Based on the resulting impairment assessment performed, we recorded an impairment charge of $18.0 million related to the indefinite-lived Spartan trade name intangible asset in the third quarter of fiscal 2023. For additional information regarding the impairment charge, refer to Note 1, *Summary of Significant Accounting Policies and Related Data*, of the Notes to Consolidated Financial Statements.

Determining the estimated fair values of our reporting units and indefinite-lived intangible assets, or asset groups, requires considerable judgment and such estimates are sensitive to changes in the underlying inputs and assumptions. As a result, there can be no assurance that the inputs and assumptions made for purposes of our annual impairment assessments will prove to be an accurate prediction of the future. Certain events or circumstances that could reasonably be expected may negatively affect the underlying key inputs and assumptions and ultimately affect the estimated fair values of our reporting units and indefinite-lived intangible assets. Such events or circumstances could include a decrease in expected future operating results and the related cash flows; adverse economic, market, and industry conditions, including unfavorable impacts on our guideline public companies used in determining our WACC rate and the business enterprise value of our reporting units under the market approach; prolonged periods of unfavorable weather conditions; changes in regulatory conditions impacting our products and industries; a continued volatile supply chain environment and/or additional increases in the costs of commodities, component parts, and labor; lack of customer acceptance of new or innovative technologies; increased competition; and other factors.

While our annual impairment assessment performed in the fourth quarter of fiscal 2024 supported the carrying amount of our indefinite-lived intangible assets, we may be required to re-evaluate the carrying amounts in future periods utilizing different inputs and assumptions that reflect the then current market conditions and expectations regarding our operating performance, which may result in a future impairment that could be material.

Product Warranty Guarantees

Our products are warranted to provide assurance that the product will function as expected and to ensure customer confidence in design, workmanship, and overall quality. Warranty coverage on our products is generally provided for specified periods of time and on select products' hours of usage, and generally covers parts, labor, and other expenses for non-maintenance repairs. Warranty coverage generally does not cover operator abuse or improper use. In addition to the standard warranties offered on our products, we also sell separately priced extended warranty coverage on select products for a prescribed period after the original warranty period expires.

At the time of sale, we recognize expense and record a warranty accrual by product line for estimated costs in connection with projected future warranty claims. Our estimate of the cost of future warranty claims is based primarily on the estimated number of products under warranty, historical average costs incurred to service warranty claims, the trend in the historical ratio of warranty claims to sales, and the historical length of time between the sale and resulting warranty claim. If applicable, historical claims experience may be adjusted for known product design improvements or for the impact of unusual product quality issues. We periodically assess the adequacy of our warranty accruals based on changes in our estimates and assumptions and record any necessary adjustments if the cost of actual claim experience differs from our estimate and indicates that adjustments to our warranty accrual are necessary. Factors that could have an impact on actual future claims and our warranty accrual include, but are not limited to, items such as performance of new products; product failure rates; factors impacting product usage, such as weather; changes in sales volumes and shifts in product mix; manufacturing quality and product design issues, including significant manufacturing or design defects not discovered until after the product is delivered to customers; the extent of customers affected by the product failure; higher or lower than expected service and component part costs to satisfactorily address the repair, and upon rare occasion, changes to the warranty coverage periods. Additionally, from time to time, we also establish warranty accruals for our estimate of the costs necessary to settle major rework campaigns on a product-specific basis during the period in which the circumstances giving rise to the major rework campaign become known and when the costs to satisfactorily address the situation are both probable and estimable. The warranty accrual for the cost of a major rework campaign is primarily based on an estimate of the cost to repair each affected unit and the number of affected units expected to be repaired.

We believe that our analysis of historical warranty claim trends and knowledge of potential manufacturing and/or product design improvements or issues provide sufficient information to establish a reasonable estimate for the cost of future warranty claims at the time of sale and our warranty accruals as of the date of our Consolidated Balance Sheets. We believe that our $150.2 million warranty accrual as of October 31, 2024 is adequate and historically has been adequate; however, due to the inherent uncertainty in the accrual estimation process, including projecting future warranty claims, costs associated with servicing future warranty claims, and unexpected major rework campaigns that may arise in the future, our actual warranty costs incurred may differ from our warranty accrual estimate. An unexpected increase in warranty claims and/or in the costs associated with servicing those claims would result in an increase in our warranty accruals and a decrease in our net earnings.

Inventory Valuation

Approximately half of our inventories are valued at the lower of the cost of inventory or net realizable value, with cost determined by either the first-in, first-out or average cost method. Other inventories are valued at the lower of cost or market, with cost determined under the last-in, first-out method. As needed, we record an inventory valuation adjustment for excess, slow moving, and obsolete inventory that is equal to the excess of the cost of the inventory over the estimated net realizable value or market value for the inventory depending on inventory costing method. The inventory valuation adjustment to net realizable value or market value establishes a new cost basis of the inventory that cannot be subsequently reversed. Such inventory valuation adjustments for excess, obsolete, and slow moving inventory are not reduced or removed until the product is sold or disposed of.

In developing inventory valuation adjustments for excess, slow moving, and obsolete inventory, we are required to use judgment and make estimates of future sales demand and production requirements compared with current inventory levels. Our estimate of projected sales demand and production requirements is primarily based on actual orders received, historical demand, technological and product life cycle changes, product pricing, economic trends, and competitive factors, such as market and pricing trends for similar products. Although we believe our inventory valuation reserve for excess, slow-moving, and obsolete inventory is adequate at $47.8 million as of October 31, 2024, projecting sales demand and production requirements involves significant management judgment regarding future events. Future events that could significantly influence our judgments and related estimates include general economic conditions within the specific markets in which we operate, changes in demand for our products and customer preference, price fluctuations, and actions of our competitors, including the introduction of new products, technological advances, and pricing changes. Projected sales demand and production requirements can also be affected by the significant redesign of our existing products or the replacement of an existing product by an entirely new generation of product. It is possible that an unfavorable adjustment to our inventory valuation reserve for excess, slow moving, and obsolete inventory may be required in the future if there is a change in any of the aforementioned factors that adversely impacts our estimates of future demand for our products and we do not modify our purchases or production schedule accordingly.

Business Combinations

When applicable, we account for the acquisition of a business in accordance with the accounting standards codification guidance for business combinations, whereby the total consideration transferred is allocated to the assets acquired and liabilities assumed, including amounts attributable to non-controlling interests, when applicable, based on their respective estimated fair values as of the date of acquisition. Goodwill represents the excess of consideration transferred over the estimated fair value of the net assets acquired in a business combination.

Assigning estimated fair values to the net assets acquired requires the use of significant estimates, judgments, inputs, and assumptions regarding the fair value of intangible assets that are separately identifiable from goodwill, inventory, and property, plant, and equipment. While the ultimate responsibility for determining estimated fair values of the acquired net assets resides with management, for material acquisitions we may retain the services of certified valuation specialists to assist with assigning estimated fair values to certain acquired assets and assumed liabilities, including intangible assets that are separately identifiable from goodwill, inventory, and property, plant, and equipment. Estimated fair values of acquired intangible assets that are separately identifiable from goodwill, inventory, and property, plant, and equipment are generally based on available historical information, future expectations, available market data, and assumptions determined to be reasonable but are inherently uncertain with respect to future events, including economic conditions, competition, technological obsolescence, the useful life of the acquired assets, and other factors. These significant estimates, judgments, inputs, and assumptions include, when applicable, the selection of an appropriate valuation method depending on the nature of the respective asset, such as the income approach, the market or sales comparison approach, or the cost approach; estimating future cash flows based on projected revenues and/or margins that we expect to generate subsequent to the acquisition; applying an appropriate discount rate to estimate the present value of those projected cash flows we expect to generate; selecting an appropriate terminal growth rate and/or royalty rate or estimating a customer attrition or technological obsolescence factor where necessary and appropriate given the nature of the respective asset; assigning an appropriate contributory asset charge where needed; determining an appropriate useful life and the related depreciation or amortization method for the respective asset; and assessing the accuracy and completeness of other historical financial metrics of the acquiree used as standalone inputs or as the basis for determining estimated projected inputs such as margins, customer attrition, and costs to hold and sell product.

In determining the estimated fair value of intangible assets that are separately identifiable from goodwill, we typically utilize the income approach, which discounts the projected future cash flows using a discount rate that appropriately reflects the risks associated with the projected cash flows. Generally, we estimate the fair value of acquired trade names using the relief from royalty method under the income approach, which is based on the hypothetical royalty stream that would be received if we were to license the acquired trade name. For most other acquired intangible assets, we estimate fair value using the excess earnings method under the income approach, which is typically applied when cash flows are not directly generated by the asset, but rather, by an operating group that includes the particular asset. In certain instances, particularly in relation to developed technology or patents, we may utilize the cost approach depending on the nature of the respective intangible asset and the recency of the development or procurement of such technology. The useful lives and amortization methods for the acquired intangible assets that are separately identifiable from goodwill are generally determined based on the period of expected cash flows used to measure the fair value of the acquired intangible assets and the nature of the use of the respective acquired intangible asset, adjusted as appropriate for entity-specific factors including legal, regulatory, contractual, competitive, economic, and/or other factors such as customer attrition rates and product or order lifecycles that may limit the useful life of the respective acquired intangible asset. In determining the estimated fair value of acquired inventory, we typically utilize the cost approach for raw materials and the sales comparison approach for work in process, finished goods, and service parts. In determining the estimated fair value of acquired property, plant, and equipment, we typically utilize the sales comparison approach or the cost approach depending on the nature of the respective asset and the recency of the construction or procurement of such asset.

We may refine the estimated fair values of assets acquired and liabilities assumed, if necessary, over a period not to exceed one year from the date of acquisition by taking into consideration new information about facts and circumstances that existed as of the acquisition date that, if known as of the date of acquisition, would have affected the estimated fair values ascribed to the assets acquired and liabilities assumed. The judgments made in determining the estimated fair value assigned to assets acquired and liabilities assumed, as well as the estimated useful life and depreciation or amortization method of each asset, can materially impact the net earnings of the periods subsequent to an acquisition through depreciation and amortization, and in certain instances through impairment charges, if the asset becomes impaired in the future. During the measurement period, any purchase price allocation changes that impact the carrying value of goodwill will affect any measurement of goodwill impairment taken during the measurement period, if applicable. If necessary, purchase price allocation revisions that occur outside of the measurement period are recorded within cost of sales or selling, general and administrative expense within the Consolidated Statements of Earnings depending on the nature of the adjustment.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 1, *Summary of Significant Accounting Policies and Related Data*, in our Notes to Consolidated Financial Statements under the section entitled "New Accounting Pronouncements."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss arising from adverse changes in market rates and prices. We are exposed to market risk stemming from changes in foreign currency exchange rates, interest rates, and commodity costs. We are also exposed to equity market risk pertaining to the trading price of our common stock. Changes in these factors could cause fluctuations in our earnings and cash flows. See further discussion on these market risks below.

Foreign Currency Exchange Rate Risk

We are exposed to foreign currency exchange rate risk arising from transactions in the normal course of business, such as sales to third-party customers, sales and loans to wholly-owned foreign subsidiaries, costs associated with foreign plant operations, and purchases from suppliers. Our primary foreign currency exchange rate exposures are with the Euro, the Australian dollar, the Canadian dollar, the British pound, the Mexican peso, the Japanese yen, the Chinese renminbi, and the Romanian new leu against the U.S. dollar, as well as the Romanian new leu against the Euro. Because our products are manufactured or sourced primarily from the U.S. and Mexico, a stronger U.S. dollar and Mexican peso generally have a negative impact on our results from operations, while a weaker U.S. dollar and Mexican peso generally have a positive effect.

To reduce our exposure to foreign currency exchange rate risk, we actively manage the exposure of our foreign currency exchange rate risk by entering into various derivative instruments to hedge against such risk, authorized under a company policy that places controls on these hedging activities, with counterparties that are highly rated financial institutions. Decisions on whether to use such derivative instruments are primarily based on the amount of exposure to the currency involved and an assessment of the near-term market value for each currency. Our worldwide foreign currency exchange rate exposures are reviewed monthly. The gains and losses on our derivative instruments offset the changes in values of the related underlying exposures. Therefore, changes in the values of our derivative instruments are highly correlated with changes in the market values of underlying hedged items both at inception and over the life of the derivative instrument. For additional information regarding our derivative instruments, refer to Note 13, *Derivative Instruments and Hedging Activities*, in the Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

The foreign currency exchange contracts in the table below have maturity dates in fiscal 2025 through fiscal 2027. All items are non-trading and stated in U.S. dollars. As of October 31, 2024, the average contracted rate, notional amount, fair value, and the gain (loss) at fair value of outstanding derivative instruments were as follows (dollars in millions, except average contracted rate):

	Average Contracted Rate	Notional Amount	Fair Value	Gain (Loss) at Fair Value
Buy U.S. dollar/Sell Australian dollar	0.6652	$ 82.5	$ 83.4	$ 0.9
Buy U.S. dollar/Sell Canadian dollar	1.3485	48.9	50.0	1.1
Buy U.S. dollar/Sell Euro	1.1094	160.5	160.8	0.3
Buy U.S. dollar/Sell British pound	1.2716	62.4	61.6	(0.8)
Buy Mexican peso/Sell U.S. dollar	19.6210	69.4	64.7	(4.7)
Buy Japanese yen/Sell U.S. dollar	152.4370	$ 0.2	$ 0.2	$ —

Our net investment in foreign subsidiaries translated into U.S. dollars is not hedged. Any translation changes in foreign currency exchange rates would be reflected as a foreign currency translation adjustment, a component of accumulated other comprehensive loss in stockholders’ equity on the Consolidated Balance Sheets, and would not impact net earnings.

Interest Rate Risk

Our interest rate risk relates primarily to fluctuations in variable interest rates on our revolving credit facility and term loan credit agreements, as well as the potential increase in the fair value of our fixed-rate long-term debt resulting from a potential decrease in interest rates. We generally do not use interest rate swaps to mitigate the impact of fluctuations in interest rates. We have no earnings or cash flow exposure due to interest rate risks on our fixed-rate long-term debt obligations.

Our indebtedness as of October 31, 2024 included $524.2 million of gross fixed rate debt that is not subject to variable interest rate fluctuations and $400.0 million of gross variable rate debt under our term loan credit agreements and revolving credit facility. As of October 31, 2024, the estimated fair value of gross long-term debt with fixed interest rates was $520.4 million compared to its carrying amount of $524.2 million. Interest rate risk for fixed-rate, long-term debt is estimated as the potential increase in the fair value of gross fixed rate debt, resulting from a hypothetical 10 percent decrease in interest rates, and amounts to $16.3 million. The estimated fair value of gross fixed rate debt is estimated by discounting the projected cash flows of our gross fixed rate debt using the current interest rate that could be obtained for similar amounts of debt and a similar financing term.

Commodity Cost Risk

Most of the commodities, components, parts, and accessories used in our manufacturing process and end-products, or to be sold as standalone end-products, are exposed to commodity cost changes. These changes may be affected by several factors, including, for example, demand; inflation; deflation; changing prices; foreign currency fluctuations; tariffs; duties; trade regulatory actions; industry actions; the inability of suppliers to absorb incremental costs related to inefficiencies, continue operations or otherwise remain in business; financial difficulties; changes to international trade policies, agreements, and/or regulation; and competitor activity, including antidumping and countervailing duties on certain products imported from foreign countries, such as certain engines imported into the U.S. from China.

Our primary cost exposures for commodities, components, parts, and accessories used in our products are with steel, aluminum, petroleum and natural gas-based resins, linerboard, copper, lead, rubber, engines, transmissions, transaxles, hydraulics, electrification components, and others. Our largest spend categories for commodities, components, parts, and accessories are generally steel, engines, hydraulic components, transmissions, resin, aluminum, and electrification components, all of which we purchase from several suppliers around the world. We generally purchase commodities, components, parts, and accessories based upon market prices that are established with suppliers as part of the purchase process and generally attempt to obtain firm pricing from most of our suppliers for volumes consistent with planned production and estimates of wholesale and retail demand for our products.

In any given period, we strategically attempt to mitigate potential unfavorable impact as a result of changes to the cost of commodities, components, parts, and accessories that affect our product lines through our productivity initiatives; however, our productivity initiatives may not be as effective as anticipated depending on macroeconomic cost trends for commodities, components, parts, and accessories costs and/or other factors. Our productivity initiatives include, but are not limited to, collaborating with suppliers, reviewing alternative sourcing options, substituting materials, SKU rationalization, utilizing Lean methods, engaging in internal cost reduction efforts, and utilizing tariff exclusions and duty drawback mechanisms, all as appropriate. When appropriate, we may also increase prices on some of our products to offset changes in the cost of commodities, components, parts, and accessories. To the extent that commodity and component costs increase, and we do not have firm pricing from our suppliers, or our suppliers are not able to honor such prices, and/or our productivity initiatives and/or product price increases are less effective than anticipated and/or do not fully offset cost increases, we may experience a decline in our gross margins.

Equity Market Risk

Volatility in the trading price of our common stock impacts the compensation costs associated with our stock-based compensation awards. Additionally, when applicable, declines in the trading price of our common stock can adversely impact our reconciliation of our market capitalization to the aggregate estimated fair value of our reporting units as a component of our goodwill impairment analysis and can also represent an interim period impairment indicator requiring the need to quantitatively assess goodwill for impairment during an interim period, which could result in impairment charges. Refer to Note 9, *Stock-Based Compensation*, and Note 1, *Summary of Significant Accounting Policies and Related Data*, in the Notes to Consolidated Financial Statements for additional information regarding our stock-based compensation awards and our goodwill impairment analysis, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, for The Toro Company and its subsidiaries. This system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

The company's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. In addition, projection of any evaluation of the effectiveness of internal control over financial reporting to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, with the participation of the company's Chairman of the Board, President and Chief Executive Officer and Vice President, Chief Financial Officer, evaluated the effectiveness of the company's internal control over financial reporting as of October 31, 2024. In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*. Based on this assessment, management concluded that the company's internal control over financial reporting was effective as of October 31, 2024. The company's internal control over financial reporting as of October 31, 2024 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

/s/ Richard M. Olson

Chairman of the Board, President and Chief Executive Officer

/s/ Angela C. Drake

Vice President, Chief Financial Officer

December 18, 2024

Further discussion of the company's internal controls and procedures is included in Part II, Item 9A, "Controls and Procedures" of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

The Toro Company:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Toro Company and subsidiaries (the Company) as of October 31, 2024 and 2023, the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2024, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of October 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2024, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2024 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accrued sales promotions and incentives

As discussed in Note 1 to the consolidated financial statements, at the time of sale, the Company records an estimate for sales promotion and incentive costs, a portion of which relates to rebate programs. As of October 31, 2024, the Company recorded an accrual of $180.4 million for sales promotions and incentives. The Company's estimates for sales promotion and incentive costs are primarily based on the terms of the sales arrangements and sales promotion and incentive programs with customers, historical payment and rebate claims experience, field inventory levels, quantity or mix of products purchased, types of programs offered, and expectations for the acceptance of sales promotion and incentive programs offered in the future or changes in other relevant trends.

We identified the evaluation of the accrued sales promotions and incentives as a critical audit matter. To evaluate the Company's expectations for changes in other relevant trends that were used to develop the estimate, a high degree of auditor judgment was required. Historical experience was an input used to develop expectations for changes in other relevant trends. Changes in other relevant trends could have an impact to the accrual for sales promotions and incentives.

The following are the primary procedures performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's sales promotions and incentives process. This included controls related to the evaluation of the input described above. We evaluated the Company's ability to estimate the sales promotions and incentives accruals by comparing the prior year's accrual with subsequent payments. We developed an expectation of the Company's accrual considering historical experience and current year field inventory levels. We tested sales promotions and incentives paid throughout the year by tracing a sample of payments to underlying documentation supporting the program terms to evaluate whether there have been any changes in other relevant trends. Additionally, we tested sales promotions and incentives paid subsequent to the balance sheet date by tracing a sample of payments to underlying documentation supporting the program terms to evaluate the accrual estimate.

/s/ KPMG LLP

We have served as the Company's auditor since 1928.

Minneapolis, Minnesota

December 18, 2024

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

Fiscal Years Ended October 31	2024	2023	2022
Net sales	$ 4,583.8	$ 4,553.2	$ 4,514.7
Cost of sales	3,034.5	2,975.6	3,010.1
Gross profit	1,549.3	1,577.6	1,504.6
Selling, general and administrative expense	1,016.0	995.6	928.9
Non-cash impairment charges	—	151.3	—
Operating earnings	533.3	430.7	575.7
Interest expense	(61.9)	(58.7)	(35.7)
Other income, net	41.4	28.5	12.5
Earnings before income taxes	512.8	400.5	552.5
Provision for income taxes	93.9	70.8	109.2
Net earnings	$ 418.9	$ 329.7	$ 443.3
Basic net earnings per share of common stock	$ 4.04	$ 3.16	$ 4.23
Diluted net earnings per share of common stock	$ 4.01	$ 3.13	$ 4.20
Weighted-average number of shares of common stock outstanding – Basic	103.8	104.4	104.8
Weighted-average number of shares of common stock outstanding – Diluted	104.4	105.3	105.6

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE TORO COMPANY AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(Dollars in millions)

Fiscal Years Ended October 31	2024	2023	2022
Net earnings	$ 418.9	$ 329.7	$ 443.3
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	7.8	9.6	(31.8)
Derivative instruments, net of tax of $(2.3), $(4.1), and $7.2, respectively	(16.8)	(12.8)	24.4
Pension benefits, net of tax of $(0.3), $(0.5), and $0.2, respectively	—	(0.7)	0.3
Other comprehensive loss, net of tax	(9.0)	(3.9)	(7.1)
Comprehensive income	$ 409.9	$ 325.8	$ 436.2

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE TORO COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollars in millions, except per share data)

October 31	2024	2023
ASSETS		
Cash and cash equivalents	$ 199.5	$ 193.1
Receivables, net:		
Customers, net of allowances (2024 - $4.3; 2023 - $3.0)	410.9	349.5
Receivables from finance affiliate	26.0	34.4
Other	22.8	23.5
Total receivables, net	459.7	407.4
Inventories, net	1,038.9	1,087.8
Prepaid expenses and other current assets	66.8	110.5
Total current assets	1,764.9	1,798.8
Property, plant and equipment, net	644.8	641.7
Goodwill	450.3	450.8
Other intangible assets, net	498.7	540.1
Right-of-use assets	114.5	125.3
Investment in finance affiliate	49.2	50.6
Deferred income taxes	45.0	14.2
Other assets	15.4	22.8
Total assets	$ 3,582.8	$ 3,644.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	$ 10.0	$ —
Accounts payable	452.7	430.0
Short-term lease liabilities	20.3	19.5
Accrued liabilities:		
Warranty	150.2	143.9
Advertising and sales promotions and incentives programs	180.4	163.0
Compensation and benefit costs	58.6	98.7
Insurance	16.0	16.2
Interest	11.4	11.6
Other	76.4	65.7
Total accrued liabilities	493.0	499.1
Total current liabilities	976.0	948.6
Long-term debt	911.8	1,031.5
Long-term lease liabilities	99.1	112.1
Deferred income taxes	0.5	0.4
Other long-term liabilities	43.5	40.8
Stockholders' equity:		
Preferred stock, par value $1.00 per share, authorized 1,000,000 voting and 850,000 non-voting shares, none issued and outstanding	—	—
Common stock, par value $1.00 per share, authorized 175,000,000 shares; issued and outstanding 101,472,125 shares as of October 31, 2024 and 103,843,485 shares as of October 31, 2023	101.5	103.8
Retained earnings	1,496.4	1,444.1
Accumulated other comprehensive loss	(46.0)	(37.0)
Total stockholders' equity	1,551.9	1,510.9
Total liabilities and stockholders' equity	$ 3,582.8	$ 3,644.3

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

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

Fiscal Years Ended October 31	2024	2023	2022
Cash flows from operating activities:			
Net earnings	$ 418.9	$ 329.7	$ 443.3
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Non-cash income from finance affiliate	(20.8)	(19.2)	(8.8)
Distributions from (contributions to) finance affiliate, net	22.2	7.9	(9.9)
Depreciation of property, plant, and equipment	93.7	83.5	74.9
Amortization of other intangible assets	34.5	35.7	33.9
Stock-based compensation expense	23.0	19.4	22.1
Deferred income taxes	(27.9)	(47.9)	(12.3)
Non-cash impairment charges	—	151.3	—
Other	(2.9)	(0.2)	(0.1)
Changes in operating assets and liabilities, net of the effect of acquisitions:			
Receivables, net	(53.1)	(71.6)	(19.3)
Inventories, net	27.5	(26.7)	(285.9)
Other assets	19.9	17.8	(30.2)
Accounts payable	24.3	(149.9)	66.3
Other liabilities	10.6	(23.0)	23.2
Net cash provided by operating activities	569.9	306.8	297.2
Cash flows from investing activities:			
Purchases of property, plant and equipment	(103.5)	(149.5)	(143.5)
Proceeds from insurance claim	4.3	7.1	—
Business combinations, net of cash acquired	—	(21.0)	(402.4)
Asset acquisitions	(0.8)	—	(7.2)
Proceeds from asset disposals	0.3	0.4	0.2
Proceeds from divestitures	40.0	5.3	4.6
Net cash used in investing activities	(59.7)	(157.7)	(548.3)
Cash flows from financing activities:			
Net (repayments) borrowings under the revolving credit facility	(40.0)	40.0	—
Long-term debt borrowings	—	—	300.0
Long-term debt repayments	(70.0)	—	—
Proceeds from exercise of stock options	9.1	19.7	10.3
Payments of withholding taxes for stock awards	(3.9)	(3.8)	(2.4)
Purchases of TTC common stock	(245.5)	(60.0)	(140.0)
Dividends paid on TTC common stock	(149.5)	(141.9)	(125.7)
Other	(5.3)	(1.5)	—
Net cash (used in) provided by financing activities	(505.1)	(147.5)	42.2
Effect of exchange rates on cash and cash equivalents	1.3	3.3	(8.5)
Net increase (decrease) in cash and cash equivalents	6.4	4.9	(217.4)
Cash and cash equivalents as of the beginning of the fiscal period	193.1	188.2	405.6
Cash and cash equivalents as of the end of the fiscal period	$ 199.5	$ 193.1	$ 188.2
Supplemental disclosures of cash flow information:			
Cash paid during the fiscal year for:			
Interest	$ 63.0	$ 61.1	$ 30.5
Income taxes	$ 91.7	$ 165.2	$ 120.5

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

THE TORO COMPANY AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
(Dollars in millions, except per share data)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of October 31, 2021	$ 105.2	$ 1,071.9	$ (26.0)	$ 1,151.1
Cash dividends paid on common stock - $1.20 per share	—	(125.7)	—	(125.7)
Issuance of 349,219 shares of common stock under stock-based compensation plans, less contribution of 33,162 shares of common stock to a deferred compensation trust	0.4	10.0	—	10.4
Stock-based compensation expense	—	22.1	—	22.1
Purchase of 1,551,986 shares of common stock	(1.6)	(140.8)	—	(142.4)
Other comprehensive loss	—	—	(7.1)	(7.1)
Net earnings	—	443.3	—	443.3
Balance as of October 31, 2022	104.0	1,280.8	(33.1)	1,351.7
Cash dividends paid on common stock - $1.36 per share	—	(141.9)	—	(141.9)
Issuance of 499,145 shares of common stock under stock-based compensation plans, less contribution of 14,270 shares of common stock to a deferred compensation trust	0.4	19.3	—	19.7
Stock-based compensation expense	—	19.4	—	19.4
Purchase of 611,195 shares of common stock	(0.6)	(63.2)	—	(63.8)
Other comprehensive loss	—	—	(3.9)	(3.9)
Net earnings	—	329.7	—	329.7
Balance as of October 31, 2023	103.8	1,444.1	(37.0)	1,510.9
Cash dividends paid on common stock - $1.44 per share	—	(149.5)	—	(149.5)
Issuance of 502,917 shares of common stock under stock-based compensation plans, less contribution of 54,526 shares of common stock to a deferred compensation trust	0.5	8.6	—	9.1
Stock-based compensation expense	—	23.0	—	23.0
Purchase of 2,819,729 shares of common stock	(2.8)	(248.7)	—	(251.5)
Other comprehensive loss	—	—	(9.0)	(9.0)
Net earnings	—	418.9	—	418.9
Balance as of October 31, 2024	$ 101.5	$ 1,496.4	$ (46.0)	$ 1,551.9

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

1 Summary of Significant Accounting Policies and Related Data

The Toro Company is in the business of designing, manufacturing, marketing, and selling professional turf maintenance equipment and services; turf irrigation systems; landscaping equipment and lighting products; snow and ice management products; agricultural irrigation ("ag-irrigation") systems; rental, specialty, and underground construction equipment; and residential yard and snow thrower products. The company sells its products worldwide through a network of distributors, dealers, mass retailers, hardware retailers, equipment rental centers, and home centers, as well as online and direct to end-users. The company strives to provide innovative, well-built, and dependable products supported by an extensive service network.

The following are the company's significant accounting policies in addition to those included in the other Notes to Consolidated Financial Statements included within this Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

Basis of Presentation and Consolidation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted ("GAAP") in the United States ("U.S.") and include the accounts of the company and its wholly-owned subsidiaries. In the opinion of management, the Consolidated Financial Statements include all adjustments, consisting primarily of recurring accruals, considered necessary for the fair presentation of the company's consolidated financial position, results of operations, and cash flows for the periods presented.

The company's businesses are organized, managed, and internally grouped into segments based on similarities in products and services. The company classifies its operations into two reportable business segments: Professional and Residential. The company's remaining activities are presented as "Other" due to their insignificance. For additional information regarding the company's reportable business segments refer to Note 3, *Segment Data*.

The company uses the equity method to account for equity investments in unconsolidated entities over which it has the ability to exercise significant influence over operating and financial policies. The company's share of the net earnings or losses of these equity method investments are recorded within other income, net on the Consolidated Statements of Earnings. Equity investments in unconsolidated entities that the company does not control and for which it does not have the ability to exercise significant influence over operating and financial policies are recorded at cost, less impairment, as applicable, within the Consolidated Balance Sheets. All intercompany accounts and transactions have been eliminated from the Consolidated Financial Statements.

Accounting Estimates

In preparing the Consolidated Financial Statements in conformity with U.S. GAAP, management must make decisions that impact the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures, including disclosures of contingent assets and liabilities. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. Estimates are used in determining, among other items, sales promotion and incentive accruals; incentive compensation accruals; income tax accruals; inventory valuation; warranty accruals; allowance for expected credit losses; pension accruals; self-insurance accruals; legal accruals; right-of-use assets and lease liabilities; useful lives for tangible and finite-lived intangible assets; future cash flows associated with impairment testing for goodwill, indefinite-lived intangible assets, and other long-lived assets; and valuations of the assets acquired and liabilities assumed in a business combination or asset acquisition, when applicable. These estimates and assumptions are based on management's best estimates and judgments at the time they are made and are generally derived from management's understanding and analysis of the relevant and current circumstances, historical experience, and actuarial and other independent external third-party specialist valuations, when applicable. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances, including the current economic environment and other relevant factors, as applicable. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with certainty, actual amounts could differ significantly from those estimated at the time the Consolidated Financial Statements are prepared. Changes in those estimates will be reflected in the Consolidated Financial Statements in future periods.

Business Combinations and Asset Acquisitions

When applicable, the company accounts for the acquisition of a business in accordance with the accounting standards codification ("ASC") guidance for business combinations, whereby the total purchase consideration transferred is allocated to the assets acquired and liabilities assumed, including amounts attributable to non-controlling interests, when applicable, based on their respective estimated fair values as of the date of acquisition. Goodwill represents the excess of purchase consideration transferred over the estimated fair value of the identifiable net assets acquired in a business combination.

Assigning estimated fair values to the net assets acquired requires the use of significant estimates, judgments, inputs, and assumptions regarding the fair value of the assets acquired and liabilities assumed. Estimated fair values of assets acquired and liabilities assumed are generally based on available historical information, independent valuations or appraisals, future expectations, and assumptions determined to be reasonable but are inherently uncertain with respect to future events, including economic conditions, competition, the useful life of the acquired assets, and other factors. The company may refine the estimated fair values of assets acquired and liabilities assumed, if necessary, over a period not to exceed one year from the date of acquisition by taking into consideration new information about facts and circumstances that existed as of the acquisition date that, if known at the date of acquisition, would have affected the estimated fair values ascribed to the assets acquired and liabilities assumed. The judgments made in determining the estimated fair value assigned to assets acquired and liabilities assumed, as well as the estimated useful life and depreciation or amortization method of each asset, can materially impact the net earnings of the periods subsequent to the acquisition through depreciation and amortization, and in certain instances through impairment charges, if the asset becomes impaired in the future. During the measurement period, any purchase price allocation changes that impact the carrying value of goodwill would also affect the amount of goodwill impairment taken, if applicable. If necessary, purchase price allocation revisions that occur outside of the measurement period are recorded within cost of sales or selling, general and administrative expense within the Consolidated Statements of Earnings depending on the nature of the adjustment.

When an acquisition does not meet the definition of a business combination because either: (i) substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset, or group of similar identified assets, or (ii) the acquired entity does not have an input and a substantive process that together significantly contribute to the ability to create outputs, the company accounts for the acquisition as an asset acquisition. In an asset acquisition, goodwill is not recognized, but rather, any excess purchase consideration over the fair value of the net assets acquired is allocated on a relative fair value basis to the identifiable net assets as of the acquisition date and any direct acquisition-related transaction costs are capitalized as part of the purchase consideration.

Refer to Note 2, *Acquisitions and Divestitures*, for additional information regarding the company's accounting for recent business combinations and asset acquisitions.

Cash and Cash Equivalents

The company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value. As of October 31, 2024 and 2023, cash and cash equivalents held by the company's foreign subsidiaries were $136.0 million and $91.1 million, respectively.

Receivables, Net

Receivables are recorded at original carrying amount less an estimated allowance for expected credit losses. The allowance for expected credit losses is based on the company's assessment of losses that will result from its customers inability or unwillingness to pay amounts owed to the company. The allowance for expected credit losses is estimated using a combination of factors, including the age of receivable balances and historical credit loss experience, supplemented by the company's knowledge of customer-specific information, current market conditions, and reasonable and supportable projections of future events and economic conditions, when applicable. Receivables are written-off against the allowance for expected credit losses when all collection efforts have been exhausted.

The company's financial exposure related to the collection of accounts receivable is reduced due to its inventory financing arrangements, as further discussed in Note 11, *Commitments and Contingencies*.

For receivables not serviced through inventory financing agreements, the company provides financing in the form of open account terms in the normal course of business and performs on-going credit evaluations of customers.

Concentrations of Credit Risk

Financial instruments, which potentially subject the company to concentrations of credit risk, consist principally of accounts receivable and derivative instruments. Accounts receivable balances are generally concentrated in the Professional and Residential business segments, and more specifically in our mass channel and international customers. The credit risk associated with these concentrations is limited because of the large number of customers in the company's customer base and their geographic dispersion. The credit risk associated with the company's derivative instruments is limited as the company enters into derivative instruments with multiple counterparties that are highly rated financial institutions.

Inventories, Net

The company uses a combination of inventory valuation methods. Inventories are valued at the lower of cost or net realizable value, with cost determined by the first-in, first-out ("FIFO") and average cost methods for approximately 53.6 percent and 58.5 percent of total net inventories as of October 31, 2024 and 2023, respectively. Other inventories are valued at the lower of cost or market, with cost determined under the last-in, first-out ("LIFO") method. During fiscal 2024 and fiscal 2023, LIFO layers were not materially reduced. As needed, the company records an inventory valuation adjustment for excess, slow-moving, and obsolete inventory that is equal to the excess of the cost of the inventory over the estimated net realizable value or market value for the inventory depending on the inventory costing method. Such inventory valuation adjustment is based on a review and comparison of current inventory levels to planned production, as well as planned and historical sales of the inventory. The inventory valuation adjustment to net realizable value or market value establishes a new cost basis of the inventory that cannot be subsequently reversed. Such inventory valuation adjustments for excess, obsolete, and slow moving inventory are not reduced or removed until the product is sold or disposed of. As of October 31, 2024 and 2023, the company's inventory valuation adjustment for excess, slow-moving, and obsolete inventory was $47.8 million and $43.9 million, respectively.

Inventories, net were as follows (dollars in millions):

October 31	2024	2023
Raw materials and work in process	$ 384.8	$ 400.3
Finished goods and service parts	827.5	844.2
Total FIFO value	1,212.3	1,244.5
Less: adjustment to LIFO value	173.4	156.7
Total inventories, net	$ 1,038.9	$ 1,087.8

Property, Plant and Equipment, Net

Property, plant and equipment assets are carried at cost less accumulated depreciation. The company generally accounts for depreciation of property, plant and equipment utilizing the straight-line half year method over the estimated useful lives of the assets. Buildings and leasehold improvements are generally depreciated over 10 to 40 years, machinery and equipment are generally depreciated over three to 15 years, tooling is generally depreciated over three to five years, and computer hardware and software and website development costs are generally depreciated over two to five years. Expenditures for major renewals and improvements, which substantially increase the useful lives of existing assets, are capitalized. Costs associated with general maintenance and repairs are expensed as incurred within cost of sales or selling, general and administrative expense in the Consolidated Statements of Earnings depending on the nature and use of the related asset. Interest is capitalized during the construction period for significant capital projects. During the fiscal years ended October 31, 2024, 2023, and 2022, the company capitalized $3.1 million, $4.2 million, and $2.5 million of interest, respectively.

Property, plant and equipment, net was as follows (dollars in millions):

October 31	2024	2023
Land and land improvements	$ 72.8	$ 69.0
Buildings and leasehold improvements	372.1	355.8
Machinery and equipment	676.9	624.6
Tooling	235.1	260.4
Computer hardware and software	103.2	98.0
Construction in process	116.9	133.2
Property, plant and equipment, gross	1,577.0	1,541.0
Less: accumulated depreciation	932.2	899.3
Property, plant and equipment, net	$ 644.8	$ 641.7

During fiscal 2024, 2023, and 2022, the company recorded depreciation expense of $93.7 million, $83.5 million, and $74.9 million, respectively.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill is initially recognized as a result of the excess of purchase consideration transferred over the estimated fair value of the net assets acquired in a business combination and indefinite-lived intangible assets are initially recognized at their estimated fair values as a result of a business combination or asset acquisition. Goodwill is assigned to a reporting unit based upon the expected benefit of the synergies of the acquisition. Goodwill and certain trade names, which are considered to have indefinite lives, are not amortized; however, the company reviews them for impairment annually during the fourth quarter of each fiscal year or more frequently if changes in circumstances or the occurrence of events indicate that impairment may have occurred prior to the annual assessment. The company tests goodwill for impairment at the reporting unit level and tests indefinite-lived intangible assets for impairment at the individual indefinite-lived intangible asset or asset group level, as appropriate. Goodwill and indefinite-lived intangible assets are assessed for impairment at least annually during the fourth quarter of each fiscal year unless events or changes in circumstances indicate that impairment may have occurred prior to the annual assessment.

Fiscal 2023 Impairment

During the preparation of the financial statements for the third quarter of fiscal 2023, the company identified deterioration in year-to-date fiscal 2023 results of Intimidator compared to previous expectations and resulting downward revisions to the company's projected future results of Intimidator made during the third quarter of fiscal 2023 as part of the company's annual long range strategic planning process, including future expected cash flows, which were significantly lower than previously expected. The underperformance was attributable to summer seasonality trends that did not materialize primarily due to reduced retail demand from homeowners who prefer professional solutions. This reduced retail demand from homeowners who prefer professional solutions was driven by persistent hot and dry weather patterns across key regions, coupled with a number of macro factors, including higher interest rates, economic uncertainty, and consumer spending preferences following the exceptional demand during the pandemic. Additionally, the company had previously replenished the Intimidator customer channel, which, combined with the reduced retail demand, caused a significant reduction in shipments and customer reorders during the third quarter of fiscal 2023, as well as a material reduction in projected future financial results for Intimidator. Based on these factors, the company concluded it was more likely than not that both the indefinite-lived Spartan trade name intangible asset and the Intimidator goodwill were impaired and thus performed quantitative impairment analyses.

The fair value of the Spartan trade name was determined using the relief-from-royalty method under the income approach which utilized various inputs and assumptions, including projected revenues from the company's projection process, assumed royalty rates that could be payable if the company did not own the intangible asset, terminal growth rates applied to projected revenues, applicable tax rates, and a discount rate. Fair value under the quantitative goodwill impairment test was determined using a discounted cash flow model under the income approach which utilized various inputs and assumptions, including projected operating results and growth rates from the company's projection process, applicable tax rates, estimated capital expenditures and depreciation, estimated changes in working capital, terminal growth rates applied to projected operating results in the terminal period, and a weighted-average cost of capital rate. Inputs used to estimate these fair values included significant unobservable inputs that reflect the company’s assumptions about the inputs that market participants would use and, therefore, the fair value assessments are classified within Level 3 of the fair value hierarchy.

As a result of these analyses, at the end of the third quarter of fiscal 2023, the company recorded an impairment charge of $18.0 million related to the indefinite-lived Spartan trade name intangible asset reported under the Professional segment. Further, during the same period, the company recorded an impairment charge of $133.3 million related to Intimidator goodwill also reported under the Professional segment. Subsequent to these impairment charges, the remaining balance of the indefinite-lived Spartan trade name intangible asset is $81.1 million and the remaining balance of Intimidator goodwill is $30.5 million. These impairment charges are included in the Non-cash impairment charges caption on the Consolidated Statements of Earnings. These impairment charges resulted in a $36.7 million income tax benefit (deferred tax asset) associated with the remaining tax deductible basis in goodwill and other intangible assets.

Current Year Impairment Tests

Based on a change made to our operating segments during the third quarter of fiscal 2024, as discussed in Note 3, *Segment Data*, the company also changed its reporting units which became the same as the company's nine operating segments. The company tested goodwill of the new reporting units for impairment both before and following the change in reporting unit structure, and no impairment was identified. Seven reporting units contained goodwill on their respective balance sheets as of October 31, 2024.

During the fourth quarter of fiscal 2024, the company performed its annual goodwill impairment test. The company elected to bypass the qualitative assessment and move directly to the quantitative goodwill impairment analysis. In performing the quantitative goodwill impairment analysis, the company compared the carrying value of each reporting unit, including goodwill, to its respective fair value. The carrying value of each reporting unit was determined based on the amount of equity required for the reporting unit's activities, considering the specific assets and liabilities of the reporting unit. The company did not assign corporate assets and liabilities that do not relate to the operations of the reporting unit, or are not considered in determining the fair value of the reporting unit, to the reporting units. The company's estimate of the respective fair values of its reporting units was determined based on a discounted cash flow model under the income approach, which utilized various inputs and assumptions, including projected operating results and growth rates from the company's projection process, applicable tax rates, estimated capital expenditures and depreciation, estimated changes in working capital, terminal growth rates applied to projected operating results in the terminal period, and a weighted-average cost of capital rate. Where available, and as appropriate, comparable market multiples and the company's market capitalization were also utilized to corroborate the results of the discounted cash flow models under the income approach. If the fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not impaired. If the carrying value of a reporting unit exceeds its fair value, an impairment charge would be recognized for the amount by which the carrying value of the reporting unit exceeds the its fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Based on the quantitative annual goodwill impairment analysis performed in the fourth quarter of fiscal 2024, the company determined there was no impairment of goodwill for any of its reporting units.

During the fourth quarter of fiscal 2024, the company also performed a quantitative impairment analysis for its indefinite-lived intangible assets, which consist of certain trade names. The company's estimate of the fair values of its trade names are based on the relief from royalty method under the income approach and utilizes various inputs and assumptions, including projected revenues from the company's projection process, assumed royalty rates that could be payable if the company did not own the intangible asset, terminal growth rates applied to projected revenues, applicable tax rates, and a discount rate. If the fair value of the indefinite-lived intangible asset, or asset group, is less than its carrying value, an impairment loss is recognized in an amount equal to the excess. Based on this quantitative impairment analysis performed in the fourth quarter of fiscal 2024, the company concluded its indefinite-lived intangible assets were not impaired.

Other Long-Lived Assets

Other long-lived assets primarily consist of property, plant and equipment; right-of-use assets associated with operating lease agreements; capitalized implementation costs for hosted cloud-computing arrangements; finite-lived intangible assets; and other assets, as applicable. The company's finite-lived intangible assets are identifiable assets that were acquired as a result of business combinations or asset acquisitions and primarily consist of customer relationships and lists, developed technology, patents, trade names, non-compete agreements, and order backlog and are generally amortized on a straight-line basis over their expected useful lives, which typically range from several months to 20 years depending on the nature of the finite-lived intangible asset.

The company reviews other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or asset group, may not be recoverable. Asset groups have identifiable cash flows and are largely independent of other asset groups. An impairment loss is recognized when estimated undiscounted future cash flows from the operation or disposition of the asset group are less than the carrying amount of the asset group. Measurement of an impairment loss is based on the excess of the carrying amount of the asset group over its fair value. Fair value is generally measured using a discounted cash flow model or independent appraisals, as appropriate. The company did not record an impairment loss for fiscal 2024, 2023, and 2022 as the company's long-lived assets were determined to not be at risk for impairment as no events or changes in circumstances were identified that would indicate that the carrying amount of an asset, or asset group, may not be recoverable.

For other long-lived assets to be abandoned, the company tests for potential impairment. If the company commits to a plan to abandon or dispose of an other long-lived asset, or asset group, before the end of its previously estimated useful life, depreciation or amortization expense is recognized over the revised estimated useful life.

Leases

The company enters into contracts that are, or contain, operating lease agreements that convey the company's right to direct the use of, and obtain substantially all of the economic benefits from, an identified asset for a defined period of time in exchange for consideration. The lease term begins and is determined upon lease commencement, which is the point in time when the company takes possession of the identified asset, and includes all non-cancelable periods.

Lease liabilities represent the company's obligation to make lease payments arising from the lease agreement. The company accounts for operating lease liabilities at lease commencement and on an ongoing basis as the present value of the minimum remaining lease payments under the respective lease term. Lease payments are determined at lease commencement and represent fixed lease payments as defined within the respective lease agreement or, in the case of certain lease agreements, variable lease payments that are measured as of the lease commencement date based on the prevailing index or market rate. Future adjustments to variable lease payments are defined and scheduled within the respective lease agreement and are determined based upon the prevailing market or index rate at the time of the adjustment relative to the market or index rate determined at lease commencement. Certain other lease agreements contain variable lease payments that are determined based upon actual utilization of the identified asset. Such future adjustments to variable lease payments and variable lease payments based upon actual utilization of the identified asset are not included within the determination of lease payments at commencement but rather, are recorded as variable lease expense in the period in which the variable lease cost is incurred. The company has operating leases with both lease components and non-lease components. For purposes of determining lease payments, the company accounts for lease components separately from non-lease components based on the relative market value of each component. Non-lease components typically consist of common area maintenance, utilities, and/or other repairs and maintenance services. The costs related to non-lease components are not included within the determination of lease payments at commencement. Minimum remaining lease payments are discounted to present value based on the rate implicit in the operating lease agreement or the estimated incremental borrowing rate at lease commencement if the rate implicit in the lease is not readily determinable. Minimum remaining lease payments are generally discounted to present value based the estimated incremental borrowing rate at lease commencement as the rate implicit in the lease is generally not readily determinable.

Right-of-use assets represent the company's right to use an underlying asset throughout the lease term and are measured as the amount of the corresponding operating lease liability for the respective operating lease agreement, adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs, and impairment of the operating lease right-of-use asset, as applicable.

Lease expense for the company's operating leases is recognized on a straight-line basis over the lease term and is recorded within either cost of sales or selling, general and administrative expense in the Consolidated Statements of Earnings depending on the nature and use of the identified asset underlying the respective operating lease arrangement. The company does not recognize right-of-use assets and lease liabilities, but does recognize lease expense on a straight-line basis, for short-term operating leases which have a lease term of 12 months or less and do not include an option to purchase the underlying asset.

Accounts Payable

The company has a supply chain finance service agreement with a third-party financial institution to provide a web-based platform that facilitates the ability of participating suppliers to finance payment obligations from the company with the third-party financial institution. Participating suppliers may, at their sole discretion, make offers to finance one or more payment obligations of the company prior to their scheduled due dates at a discounted price to the third-party financial institution. The company's obligations to its suppliers, including amounts due and scheduled payment dates, are not affected by suppliers' decisions to finance amounts under this supply chain finance arrangement. The company guarantees its payment obligations under the supply chain finance arrangement with the third-party financial institution. The company does not pledge assets as security to the suppliers or the third-party financial institution. As of October 31, 2024 and 2023, $98.8 million and $99.6 million, respectively, of the company's outstanding payment obligations were financed by participating suppliers through the third-party financial institution's supply chain finance web-based platform. These obligations are presented within accounts payable in the Consolidated Balance Sheets.

Insurance

The company is self-insured for certain losses relating to employee medical, dental, workers' compensation, and certain product liability claims. Specific stop loss coverages are provided for catastrophic claims in order to limit exposure to significant claims. Losses and claims are charged to net earnings when it is probable a loss has been incurred and the amount can be reasonably estimated. Self-insured liabilities are based on a number of factors, including historical claims experience, an estimate of claims incurred but not reported, demographic and severity factors, and utilizing valuations provided by independent third-party actuaries, as applicable.

Product Warranty Guarantees

The company’s products are warranted to provide assurance that the product will function as expected and to ensure customer confidence in design, workmanship, and overall quality. Standard warranty coverage is generally provided for specified periods of time and on select products’ hours of usage, and generally covers parts, labor, and other expenses for non-maintenance repairs. The company also sells separately priced extended warranty coverage on select products for a prescribed period after the original warranty period expires. For additional information on the contract liabilities associated with the company's separately priced extended warranties, refer to Note 4, *Revenue*.

At the time of sale, the company recognizes expense and records an accrual by product line for estimated costs in connection with projected future warranty claims. The company's estimate of the cost of future warranty claims is based primarily on the estimated number of products under warranty, historical average costs incurred to service warranty claims, the trend in the historical ratio of claims to sales, and the historical length of time between the sale and resulting warranty claim. The company periodically assesses the adequacy of its warranty accruals based on changes in these factors and records any necessary adjustments if the cost of actual claims experience indicates that adjustments to the company's warranty accrual are necessary. Additionally, from time to time, the company may also establish warranty accruals for its estimate of the costs necessary to settle major rework campaigns on a product-specific basis during the period in which the circumstances giving rise to the major rework campaign become known and when the costs to satisfactorily address the situation are both probable and estimable. The warranty accrual for the cost of a major rework campaign is primarily based on an estimate of the cost to repair each affected unit and the number of affected units expected to be repaired.

The changes in accrued warranties were as follows (dollars in millions):

Fiscal Years Ended October 31	2024	2023	2022
Beginning balance	$ 143.9	$ 134.5	$ 116.8
Changes in accrual related to warranties issued during the period	77.0	90.1	81.5
Acquisitions	—	—	5.7
Payments made during the period	(88.0)	(84.5)	(74.6)
Changes in accrual related to pre-existing warranties	17.3	3.8	5.1
Ending balance	$ 150.2	$ 143.9	$ 134.5

Derivative Instruments and Hedging Activities

Derivative instruments, consisting primarily of forward currency contracts, are used to hedge most foreign currency transactions, including projected sales and purchases denominated in foreign currencies. All derivative instruments are recognized on the Consolidated Balance Sheets at fair value as either assets or liabilities. If the derivative instrument is designated as a cash flow hedging instrument, changes in the fair values of the spot rate component of outstanding, highly effective cash flow hedging instruments included in the assessment of hedge effectiveness are recorded in other comprehensive income within accumulated other comprehensive loss ("AOCL") on the Consolidated Balance Sheets and are subsequently reclassified to net earnings within the Consolidated Statements of Earnings during the same period in which the cash flows of the underlying hedged transaction affect net earnings. Changes in the fair values of hedge components excluded from the assessment of effectiveness are recognized immediately in net earnings under the mark-to-market approach. Derivatives that are not designated as cash flow hedging instruments are adjusted to fair value through other income, net, on the Consolidated Statements of Earnings.

Foreign Currency Translation and Transactions

The functional currency of the company's foreign operations is generally the applicable local currency. The functional currency is translated into U.S. dollars using the respective current exchange rate in effect as of the balance sheet date for balance sheet accounts and the respective weighted-average exchange rate during the fiscal year for revenue and expense accounts. The resulting translation adjustments are deferred as a component of other comprehensive income within the Consolidated Statements of Comprehensive Income and the Consolidated Statements of Stockholders' Equity. Gains or losses resulting from transactions denominated in foreign currencies are included in other income, net in the Consolidated Statements of Earnings.

Debt Issuance Costs

Debt issuance costs incurred in connection with securing the company's financing arrangements are capitalized and amortized over the term of the respective financing arrangement under the straight-line method as the results obtained are not materially different from those that would result from the use of the effective interest method. Debt issuance costs are generally presented in the Consolidated Balance Sheets as a direct deduction from the carrying amount of the outstanding borrowings, consistent with debt discounts. However, the company classifies the debt issuance costs related to its $900.0 million five-year senior unsecured revolving credit facility ("revolving credit facility") within other assets on the Consolidated Balance Sheets, regardless of whether the company has any outstanding borrowings on the revolving credit facility. Debt issuance costs related to borrowings that are fully extinguished in advance of the maturity date are charged to expense at the time of retirement of the borrowings. Debt issuance costs, net of accumulated amortization, were $4.6 million and $3.8 million as of October 31, 2024 and 2023, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years that those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date. A valuation allowance is provided when, in management's judgment, it is more likely than not that some portion or all of the deferred tax asset will not be realized. The company believes it has reflected the necessary deferred tax assets and liabilities in the accompanying Consolidated Balance Sheets. Management believes the future tax deductions will be realized principally through future taxable income, future reversals of existing taxable temporary differences, and carryback to taxable income in prior years.

The company recognizes the effect of income tax positions only if it is more likely than not that those positions will be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50.0 percent likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The company also records interest and penalties related to unrecognized tax benefits within income tax expense.

Revenue Recognition

The company's primary source of revenue is generated through the sale of equipment and irrigation products, as well as rendering of services to its customers. As a result, the company enters into contracts with its customers for the sale of products or rendering of services in the ordinary course of business, which generally occurs at the time the company receives and accepts a purchase or sales order under a sales contract with a customer. The company recognizes revenue when, or as, performance obligations under the terms of a contract with its customer are satisfied, which generally occurs with the transfer of control of product or services at the time a product is shipped, or in the case of certain agreements, when a product is delivered or as services are rendered. Revenue is recognized based on the transaction price, which is measured as the amount of consideration the company expects to receive in exchange for transferring product or rendering services pursuant to the terms of the contract with a customer. The amount of consideration the company receives and the revenue the company recognizes varies as a result of variable consideration. Variable consideration is recorded at the time revenue is recognized as a reduction of the transaction price and typically occurs as a result of certain of the company's sales promotion and incentive programs offered to customers that are determined to represent price concessions, as well as anticipated product returns, when applicable. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on the relative standalone selling price of the respective promised good or service. The company does not recognize revenue in situations where collectability from the customer is not probable, and defers the recognition of revenue until collection is probable or payment is received and performance obligations are satisfied.

Sales Promotions and Incentives

At the time revenue is recognized, the company records a reduction of the transaction price for the variable consideration associated with certain of the company's sales promotions and incentives programs offered to customers that are determined to represent price concessions. The expense of each sales promotion and incentive program is classified as a reduction from gross sales or as a component of selling, general and administrative expense within the Consolidated Statements of Earnings when revenue is recognized, depending on the nature of the program. Generally, the cost of a program is recorded as a reduction from gross sales when revenue is recognized and thus, is considered to be variable consideration, if the expense is determined to represent a price concession because the program either (i) results in an immediate reduction of the transaction price with no anticipated future costs or consideration provided to the customer or (ii) the company anticipates future costs based on historical or expected future business practice for which the company does not receive a distinct good or service in exchange for the future consideration provided to the customer under the program. In other circumstances, the anticipated future cost of a program based on historical or expected future business practice is recorded as selling, general and administrative expense because the company receives a distinct good or service in exchange for the future consideration provided to the customer under the program.

Examples of significant sales promotions and incentive programs that are considered to be variable consideration because the cost of the program is classified as a reduction from gross sales are as follows:

- **Off-Invoice Discounts:** The company's off-invoice discounts represent an immediate reduction in the selling price of the company's products that is realized at the time of sale with no anticipated future cost or consideration provided to the customer.
- **Rebate Programs:** The company's rebate programs are generally based on claims submitted from either the company's direct customers or end-users of the company's products or are based on purchase or retail sales goals for the company's direct customers of certain quantities or mixes of product during a specified time period, depending upon the program. The amount of the rebate varies based on the specific program and is either a dollar amount or a percentage of the purchase price and can also be based on actual retail price as compared to the company's selling price. Consideration is typically provided to the company's customers for the company's rebate programs after the initial sale of the company's products to the company's direct customers and thus, there is generally an anticipated future cost at the time revenue is recognized based on historical and expected future business practice.
- **Financing Programs:** The company's financing programs consist of inventory financing arrangements with financial institutions and end-user financing. Costs incurred for inventory financing arrangements represent dealer and distributor financing costs shared by the company for a pre-established length of time based on a predefined rate from the contract between the company and the financial institution to finance dealer and distributor inventory purchases. Inventory financing arrangement costs were $100.9 million, $114.7 million, and $46.3 million for the fiscal years ended October 31, 2024, 2023, and 2022, respectively. End-user financing is offered to end-user customers under which the company, at its discretion, may pay a portion of interest costs on behalf of end-users for financing purchases of the company's equipment.

Examples of significant sales promotions and incentive programs that are not considered to be variable consideration because the cost of the program is classified as a component of selling, general, and administrative expense are as follows:

- **Commissions Paid to Distributors and Dealers:** For certain products, the company uses a distribution network of dealers and distributors that purchase and take possession of products for sale to the end customer. The company also has dealers and distributors that act as sales agents for it on certain products using a direct-selling type model. Under this direct-selling type model, the company's network of distributors and dealers facilitates a sale directly to the dealer or end-user customer on its behalf. Commissions to distributors and dealers in these instances represent commission payments to sales agents that are also its customers. In addition, TTC dealers are often paid a commission to set up and deliver riding product purchased at certain mass retail and home centers.
- **Cooperative Advertising:** Cooperative advertising programs are based on advertising costs incurred by distributors and dealers for promoting the company's products. The company supports a portion of those advertising costs in which claims are submitted by the distributor or dealer along with evidence of the advertising material procured/produced and evidence of the cost incurred in the form of third-party invoices or receipts.

Regardless of classification of the cost of the sales promotion and incentive program within the Consolidated Statements of Earnings, the company records an accrual within the Consolidated Balance Sheets for the estimated future expense of certain of its sales promotion and incentive programs for which the company anticipates a future cost based on historical or expected future business practice by using the expected value method and applying the portfolio approach practical expedient under the accounting standards codification guidance for revenue from contracts with customers. Under such approach, the company's determination of variable consideration and the related accrual associated with the estimated expense of certain of the company's sales promotions and incentives programs is primarily based on the terms of the sales arrangements and sales promotion and incentive programs with customers, historical payment and rebate claims experience, field inventory levels, quantity or mix of products purchased, projected sales volumes, types of programs offered, and expectations for the acceptance of sales promotion and incentive programs offered in the future or changes in other relevant trends.

Cost of Sales

Cost of sales is primarily comprised of direct materials and supplies consumed to manufacture the company's products, as well as compensations costs for manufacturing labor and direct overhead expense necessary to convert direct materials and supplies into finished product. Cost of sales also includes freight costs for the procurement of direct materials and supplies and shipping products to customers; charges associated with inventory valuation adjustments for excess, slow-moving, and obsolete inventory; depreciation and amortization expense on manufacturing-related tangible and intangible assets; operating lease expense related to leased manufacturing assets; cost of services provided; cash discounts on payments to vendors, and other manufacturing-related costs.

Selling, General and Administrative Expense

Selling, general and administrative expense is primarily comprised of compensation costs for non-manufacturing labor, occupancy and operating costs of distribution and corporate facilities, warranty expense, depreciation and amortization expense on non-manufacturing tangible and intangible assets, operating lease expense related to leased non-manufacturing assets; advertising, marketing, and selling expenses, engineering and research costs, information systems costs, and other miscellaneous administrative costs, such as legal costs for internal and outside services that are expensed as incurred.

Advertising Expense

General advertising costs are expensed in the period incurred. Cooperative advertising represents expenditures for shared advertising costs that the company reimburses to customers and is classified as a component of selling, general and administrative expense within the Consolidated Statements of Earnings. These obligations are accrued and expensed when the related revenues are recognized in accordance with the sales promotion and incentive programs established for certain product lines. Advertising costs were $69.5 million, $77.6 million, and $58.3 million for the fiscal years ended October 31, 2024, 2023, and 2022, respectively.

Engineering and Research Expense

The company's engineering and research costs are expensed as incurred as a component of selling, general and administrative expense within the Consolidated Statements of Earnings and are primarily incurred in connection with the development of new products that may have additional applications or represent extensions of existing product lines, improvements or enhancements to existing products, and cost reduction efforts. Costs incurred for engineering and research activities were $173.1 million, $173.9 million, and $155.6 million for the fiscal years ended October 31, 2024, 2023, and 2022, respectively.

Stock-Based Compensation Expense

The company's stock-based compensation awards are generally granted to executive officers, other employees, and non-employee members of the company's Board of Directors ("Board"), and include unrestricted common stock awards, performance share awards that are contingent on the achievement of performance goals of the company, non-qualified stock options, and restricted stock units. Generally, compensation expense equal to the grant date fair value determined under the Black-Scholes valuation method is recognized for these awards over the vesting period and is classified in selling, general and administrative expense within the Consolidated Statements of Earnings. For stock options and restricted stock units, expense recognized for other employees not considered executive officers and non-employee Board members is net of estimated forfeitures, which is based on historical forfeiture experience. Stock options granted to executive officers and other employees are subject to accelerated expensing if the option holder meets the retirement definition set forth in the applicable equity and incentive plan document. In that case, the fair value of the options is expensed in the fiscal year of grant because generally, if the option holder is employed as of the end of the fiscal year in which the options are granted, such options will not be forfeited but continue to vest according to their schedule following retirement. For additional information on The Toro Company 2022 Equity and Incentive Plan, refer to Note 9, *Stock-Based Compensation*.

Other Income, Net

Other income, net primarily consists of the company's proportionate share of income or losses from Red Iron, gains or losses on divestitures, realized foreign currency exchange rate gains and losses, interest and dividend income, gains or losses recognized on actuarial valuation changes for our pension and post-retirement plans, retail financing revenue, and other miscellaneous income.

Net Earnings Per Share

Basic net earnings per share is calculated as net earnings available to common stockholders divided by the weighted-average number of shares of common stock outstanding during the year plus the assumed issuance of contingent shares related to performance share awards under the company's equity and incentive plans. Diluted net earnings per share is similar to basic net earnings per share except that the weighted-average number of shares of common stock outstanding plus the assumed issuance of contingent shares is increased to include the number of additional shares of common stock that would have been outstanding assuming the issuance of all potentially dilutive shares, such as common stock to be issued upon exercise of options, contingently issuable shares, and restricted stock units.

Reconciliations of basic and diluted weighted-average shares of common stock outstanding are as follows (in millions):

Fiscal Years Ended October 31	2024	2023	2022
Basic			
Weighted-average number of shares of common stock	103.8	104.4	104.8
Weighted-average number of shares of common stock outstanding – Basic	103.8	104.4	104.8
Diluted			
Weighted-average number of shares of common stock outstanding – Basic	103.8	104.4	104.8
Effect of dilutive securities	0.6	0.9	0.8
Weighted-average number of shares of common stock outstanding – Diluted	104.4	105.3	105.6

Incremental shares from stock options and restricted stock units are computed under the treasury stock method. Stock option awards to purchase 1,738,948, 573,662, and 906,121 shares of common stock during fiscal 2024, 2023, and 2022, respectively, were excluded from the computation of diluted net earnings per share of common stock because they were anti-dilutive.

New Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board ("FASB") issued ASU No. 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which is intended to improve disclosures about a public business entity's expenses by requiring disaggregated quantitative disclosure, in the notes to the financial statements, of prescribed expense categories included within relevant income statement expense captions. The amended guidance will become effective for the company's fiscal 2028 annual period, and interim periods beginning with the first quarter of fiscal 2029. The company is currently evaluating the impact of this new standard on its Consolidated Financial Statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to income tax disclosures, which is designed to enhance the transparency and decision usefulness of income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amended guidance will become effective for the company's fiscal 2026 annual period. The company is currently evaluating the impact of this new standard on its Consolidated Financial Statements and related disclosures.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which is intended to enhance reportable segment disclosure requirements, primarily through additional, more detailed disclosures about significant segment expenses. The ASU requires disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), an amount for other segment items by reportable segment and a description of its composition, and the title and position of the CODM and an explanation of how the CODM uses the reported measure of segment profit or loss in assessing segment performance and deciding how to allocate resources. The ASU also requires all annual disclosures currently required by Topic 280 to be included in interim periods. The amended guidance will become effective for the company's fiscal 2025 annual period, and interim periods beginning with the first quarter of fiscal 2026. The company is currently evaluating the impact of this new standard on its Consolidated Financial Statements and related disclosures.

In September 2022, the FASB issued ASU No. 2022-04, Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations. The new standard requires disclosure of the key terms of supplier finance programs, the associated obligations outstanding, and a description of where those obligations are presented in the balance sheet. Additionally, effective for the company's fiscal 2025 annual period, the new standard requires a rollforward of the associated obligations outstanding during the annual period, including the amount of obligations confirmed and the amount of obligations subsequently paid. The amended guidance was adopted in the first quarter of fiscal 2024 and did not have a material impact on the company's Consolidated Financial Statements. For additional information regarding the company's supplier finance program, refer to Note 11, *Commitments and Contingencies*.

The company believes that all other recently issued accounting pronouncements from the FASB that the company has not noted above will not have a material impact on its Consolidated Financial Statements or do not apply to its operations.

2 Acquisitions and Divestitures

Business Combinations

Dealer Acquisition

On May 9, 2023, during the third quarter of fiscal 2023, the company completed the acquisition of substantially all of the assets of, and assumed certain liabilities for, a U.S. based dealer of underground construction equipment. The purchase price of this acquisition was allocated to the identifiable assets acquired and liabilities assumed based on estimates of their fair value and no goodwill or indefinite-lived intangible assets were recorded. The company finalized the purchase accounting for this acquisition during the third quarter of fiscal 2023. Additional purchase accounting disclosures have been omitted due to immateriality of this acquisition in relation to the company's consolidated financial condition and results of operations.

Intimidator

On January 13, 2022 ("Intimidator closing date"), during the first quarter of fiscal 2022, the company acquired the privately-held Intimidator for net aggregate purchase consideration of $399.8 million ("the purchase price"). Intimidator primarily designs, manufactures, markets, and sells a commercial-grade line of zero-turn mowers under the Spartan brand, which are intended to provide innovative turf management solutions to landscape contractors and other customers including homeowners who prefer professional solutions. The acquisition of Intimidator broadened the company's Professional segment and expanded its manufacturing footprint and dealer network.

Intimidator Purchase Price Allocation

The company accounted for the Intimidator acquisition in accordance with the accounting standards codification guidance for business combinations, whereby the purchase price was allocated to the acquired net tangible and intangible assets of Intimidator based on their fair values as of the Intimidator closing date. During the first quarter of fiscal 2023, the company completed its valuation of income taxes to finalize the purchase price allocation. The following table summarizes the allocation of the purchase price to the fair values assigned to the Intimidator assets acquired and liabilities assumed (dollars in millions):

	January 13, 2022
Cash and cash equivalents	$ 1.0
Receivables	7.0
Inventories	34.6
Prepaid expenses and other current assets	0.5
Property, plant and equipment	27.4
Right-of-use assets	0.3
Goodwill	163.7
Indefinite-lived other intangible assets:	
Trade names	99.1
Finite-lived other intangible assets:	
Customer-related	80.5
Trade names	3.3
Backlog	1.3
Accounts payable	(8.5)
Accrued liabilities	(9.1)
Short-term lease liabilities	(0.1)
Long-term liabilities	(0.2)
Total fair value of net assets acquired	400.8
Less: cash and cash equivalents acquired	(1.0)
Total purchase price	$ 399.8

The goodwill recognized is primarily attributable to the expected future cash flows, the value of the workforce, and expected synergies, including customer and dealer growth opportunities, expanding existing product lines, and cost reduction initiatives. Key areas of expected cost synergies include increased purchasing power for commodities, components, parts, and accessories and supply chain consolidation. The goodwill resulting from the acquisition of Intimidator was recognized within the company's Professional segment. The acquisition was considered an asset purchase for income tax purposes and as a result, the goodwill arising from the transaction is deductible.

Other Intimidator Intangible Assets Acquired

The allocation of the purchase price to the net assets acquired resulted in the recognition of $184.2 million of value for other intangible assets as of the Intimidator closing date. The fair values of the acquired trade names and customer-related and backlog intangible assets were determined using the income approach whereby an intangible asset's fair value is equal to the present value of future economic benefits to be derived from ownership of the asset. The useful lives of the other intangible assets were determined based on the period of expected cash flows used to measure the fair value of the intangible assets adjusted as appropriate for entity-specific factors including legal, regulatory, contractual, competitive, economic, and/or other factors that may limit the useful life of the respective intangible asset. As of the Intimidator closing date, the acquired finite-lived intangible assets had a weighted average useful life of 9.5 years. The fair values of the trade names were determined using the relief from royalty method, which is based on the hypothetical royalty stream that would be received if the company were to license the respective trade name and were based on expected future revenues from the respective trade name. The weighted-average useful life of the finite-lived trade name intangible assets was determined to be 9.8 years as of the Intimidator closing date. The fair values of the customer-related and backlog intangible assets were determined using the excess earnings method and were based on the expected operating cash flows attributable to the respective intangible asset, which were determined by deducting expected economic costs, including operating expenses and contributory asset charges, from the revenue expected to be generated from the respective intangible asset. As of the Intimidator closing date, the weighted-average useful lives of the customer-related and backlog intangible assets were determined to be 9.6 years and nine months, respectively.

Impairment

During the preparation of the financial statements for the third quarter of fiscal 2023, the company recorded an impairment charge of $18.0 million related to the indefinite-lived Spartan trade name intangible asset. Further, during the same period, the company recorded an impairment charge of $133.3 million related to Intimidator goodwill. For additional information regarding these impairment charges, refer to refer to Note 1, *Summary of Significant Accounting Policies and Related Data*.

Asset Acquisitions

On June 10, 2022, during the third quarter of fiscal 2022, the company completed the acquisition of certain assets of Voigt Smith Innovation LLC, a manufacturer of liquid deicing equipment, brine makers and applicators, related smart-connected technologies, and hydroseeding products. On June 20, 2022, during the third quarter of fiscal 2022, the company completed the acquisition of certain assets of Tornado Global Hydrovacs Ltd. ("Tornado"), a designer and manufacturer of hydrovac trucks. On June 21, 2022, during the third quarter of fiscal 2022, the company completed the acquisition of certain assets of River City Manufacturing, Inc., a manufacturer of custom rock saws. These asset acquisitions pertain to the company's Professional segment.

None of these acquisitions met the definition of business combinations as substantially all of the fair value of the gross assets acquired in each acquisition was concentrated in the respective finite-lived developed technology intangible assets. As a result, the company accounted for each of these transactions as an asset acquisition. In an asset acquisition, goodwill is not recognized, but rather, any excess purchase consideration over the fair value of the net assets acquired is allocated on a relative fair value basis to the identifiable net assets as of the acquisition date and any direct acquisition-related transaction costs are capitalized as part of the purchase consideration. These asset acquisitions were immaterial in relation to the company's consolidated financial condition and results of operations and as a result, additional purchase accounting disclosures have been omitted.

Divestitures

Pope Products

On July 1, 2024, during the third quarter of fiscal 2024, the company completed the sale of its Pope Products garden watering and irrigation business based in Australia. The financial results related to the Pope Products business have historically been included in the company's Residential segment. The divestiture was immaterial in relation to the company's Consolidated Financial Condition and Results of Operations.

Dealer Divestitures

During the fourth quarter of fiscal 2024, we completed the divestitures of two underground construction equipment dealers, the results of which have historically been included in the company's Professional segment. The divestitures were immaterial in relation to the company's Consolidated Financial Condition and Results of Operations.

3 Segment Data

The company's businesses are organized, managed, and internally grouped into segments based on similarities in products and services. Segment determination is based on the manner in which the CODM organizes segments for making operating and investment decisions and assessing performance. In the third quarter of fiscal 2024, the company modified the level at which information was being reviewed, including modification to the reporting packages and materials regularly reviewed by the CODM to evaluate the company's operating results to assess performance and allocate resources. As a result, the company has identified nine operating segments and has aggregated certain of those operating segments into two reportable segments: Professional and Residential. The aggregation of the company's segments is based on the segments having the following similarities: economic characteristics, types of products and services, types of production processes, type or class of customers, and method of distribution. For a summary of our products by market for our Professional and Residential reportable segments, refer to refer to Part I, Item 1, "Business," of this Annual Report on Form 10-K.

The company's remaining activities consists of the company's wholly-owned domestic distribution company, certain corporate activities, and the elimination of intersegment revenues and expenses. Corporate activities include general corporate expenditures (finance, human resources, legal, information technology, public relations, business development, and similar activities) and other unallocated corporate assets and liabilities, such as corporate facilities and deferred tax assets and liabilities. These remaining activities are presented as "Other" due to their insignificance.

The accounting policies of the reportable business segments are the same as those described in the summary of significant accounting policies in Note 1, *Summary of Significant Accounting Policies and Related Data*. The company evaluates the performance of its Professional and Residential reportable business segment results based on earnings from operations plus other income, net. The reportable business segment's operating profits or losses include direct costs incurred at the reportable business segment's operating level plus allocated expenses, such as profit sharing and manufacturing expenses. The allocated expenses represent costs that these operations would have incurred otherwise, but do not include general corporate expenses, interest expense, and income taxes. Operating loss for the company's Other activities includes earnings (loss) from the company's domestic wholly-owned distribution company, certain corporate activities, other income, and interest expense. The company accounts for intersegment gross sales at current market prices.

The following tables present summarized financial information concerning the company's reportable business segments and Other activities (dollars in millions):

Fiscal Year Ended October 31, 2024	Professional	Residential	Other	Total
Net sales	$ 3,556.9	$ 998.3	$ 28.6	$ 4,583.8
Intersegment gross sales (eliminations)	49.2	0.4	(49.6)	—
Earnings (loss) before income taxes	638.9	78.4	(204.5)	512.8
Total assets	2,673.6	521.2	388.0	3,582.8
Capital expenditures	60.0	14.7	28.8	103.5
Depreciation and amortization	$ 94.6	$ 18.0	$ 15.6	$ 128.2

Fiscal Year Ended October 31, 2023	Professional	Residential	Other	Total
Net sales	$ 3,674.6	$ 854.2	$ 24.4	$ 4,553.2
Intersegment gross sales (eliminations)	45.8	0.2	(46.0)	—
Earnings (loss) before income taxes[1]	509.1	68.9	(177.5)	400.5
Total assets	2,679.6	565.1	399.6	3,644.3
Capital expenditures	79.9	45.6	24.0	149.5
Depreciation and amortization	$ 89.3	$ 14.9	$ 15.0	$ 119.2

Fiscal Year Ended October 31, 2022	Professional	Residential	Other	Total
Net sales	$ 3,429.6	$ 1,068.6	$ 16.5	$ 4,514.7
Intersegment gross sales (eliminations)	33.5	0.1	(33.6)	—
Earnings (loss) before income taxes	584.0	112.7	(144.2)	552.5
Total assets	2,702.8	501.6	351.6	3,556.0
Capital expenditures	94.3	31.0	18.2	143.5
Depreciation and amortization	$ 82.7	$ 13.0	$ 13.1	$ 108.8

[1] The Professional reportable segment earnings (loss) before income taxes includes $151.3 million of non-cash impairment charges recorded during the preparation of the financial statements for the third quarter of fiscal 2023 related to Intimidator. For additional information regarding the impairment charges, refer to Note 1, *Summary of Significant Accounting Policies and Related Data*.

During fiscal 2024, 2023, and 2022, no customers accounted for 10.0 percent or more of total consolidated gross sales.

The following table presents the details of operating loss before income taxes for the company's Other activities (dollars in millions):

Fiscal Years Ended October 31	2024	2023	2022
Corporate expenses	$ (170.3)	$ (151.8)	$ (126.3)
Interest expense	(61.9)	(58.7)	(35.7)
Earnings from the company's wholly-owned domestic distribution company and other income, net	27.7	33.0	17.8
Total operating loss	$ (204.5)	$ (177.5)	$ (144.2)

The following geographic area data includes net sales based on product shipment destination and long-lived assets, which consist of property, plant and equipment, net, and is based on physical location in addition to allocated capital tooling from U.S. plant facilities (dollars in millions):

Fiscal Years Ended October 31	United States	International Countries	Total
2024			
Net sales	$ 3,660.8	$ 923.0	$ 4,583.8
Long-lived assets	$ 534.8	$ 110.0	$ 644.8
2023			
Net sales	$ 3,605.5	$ 947.7	$ 4,553.2
Long-lived assets	$ 540.4	$ 101.3	$ 641.7
2022			
Net sales	$ 3,635.5	$ 879.2	$ 4,514.7
Long-lived assets	$ 505.9	$ 65.8	$ 571.7

4 Revenue

The company enters into contracts with its customers for the sale of products or rendering of services in the ordinary course of business. A contract with commercial substance exists at the time the company receives and accepts a purchase or sales order under a sales contract with a customer. The company recognizes revenue when, or as, performance obligations under the terms of a contract with its customer are satisfied, which generally occurs with the transfer of control of product or services. Control is typically transferred to the customer at the time a product is shipped, or in the case of certain agreements, when a product is delivered or as services are rendered. Revenue is recognized based on the transaction price, which is measured as the amount of consideration the company expects to receive in exchange for transferring product or rendering services pursuant to the terms of the contract with a customer. The amount of consideration the company receives and the revenue the company recognizes varies with changes in the variable consideration associated with the estimated expense of certain of the company's sales promotions and incentives programs offered to customers, as well as anticipated product returns, when applicable. The company recognizes a provision for estimated variable consideration at the time revenue is recognized as a reduction of the transaction price. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on the relative standalone selling price of the respective promised good or service. The company does not recognize revenue in situations where collectability from the customer is not probable and defers the recognition of revenue until collection is probable or payment is received and performance obligations are satisfied.

Freight and shipping revenue billed to customers concurrent with revenue producing activities is included within revenue and the cost for freight and shipping is recognized as an expense within cost of sales when control has transferred to the customer. Shipping and handling activities that occur after control of the related products is transferred are treated as a fulfillment activity rather than a promised service and therefore are not considered a performance obligation. Sales, use, value-added, and other excise taxes the company collects concurrent with revenue producing activities are excluded from revenue. Incremental costs of obtaining a contract for which the performance obligations will be satisfied within the next twelve months are expensed as incurred. Incidental items, including goods or services, that are immaterial in the context of the contract are recognized as expense when incurred. Additionally, the company has elected not to disclose the balance of unfulfilled performance obligations for contracts with a contractual term of twelve months or less.

The following tables disaggregate the company's reportable segment net sales by similar product type and geographic market (dollars in millions):

Fiscal Year Ended October 31, 2024	**Professional**	**Residential**	**Other**	**Total**
Revenue by product type:				
Equipment	$ 3,133.5	$ 981.1	$ 19.6	$ 4,134.2
Irrigation	423.4	17.2	9.0	449.6
Total net sales	$ 3,556.9	$ 998.3	$ 28.6	$ 4,583.8
Revenue by geographic market:				
United States	$ 2,766.4	$ 865.8	$ 28.6	$ 3,660.8
International Countries	790.5	132.5	—	923.0
Total net sales	$ 3,556.9	$ 998.3	$ 28.6	$ 4,583.8

Fiscal Year Ended October 31, 2023	**Professional**	**Residential**	**Other**	**Total**
Revenue by product type:				
Equipment	$ 3,236.9	$ 819.2	$ 13.1	$ 4,069.2
Irrigation	437.7	35.0	11.3	484.0
Total net sales	$ 3,674.6	$ 854.2	$ 24.4	$ 4,553.2
Revenue by geographic market:				
United States	$ 2,898.5	$ 682.6	$ 24.4	$ 3,605.5
International Countries	776.1	171.6	—	947.7
Total net sales	$ 3,674.6	$ 854.2	$ 24.4	$ 4,553.2

Fiscal Year Ended October 31, 2022		Professional		Residential		Other		Total
Revenue by product type:								
Equipment	$	3,003.0	$	1,039.2	$	6.4	$	4,048.6
Irrigation		426.6		29.4		10.1		466.1
Total net sales	$	3,429.6	$	1,068.6	$	16.5	$	4,514.7
Revenue by geographic market:								
United States	$	2,737.9	$	881.1	$	16.5	$	3,635.5
International Countries		691.7		187.5		—		879.2
Total net sales	$	3,429.6	$	1,068.6	$	16.5	$	4,514.7

Product Revenue

The company's product revenues are generated through sales of manufactured equipment and irrigation products, including related replacement parts and accessories. For the majority of the company's products, control is transferred and revenue is recognized when the product is shipped from the company's manufacturing facilities or distribution centers to the company's customers, which primarily consist of distributors, dealers, and mass retailers. In certain situations, the company transfers control and recognizes revenue when delivery to the customer has occurred. In limited circumstances, the company ships some of its products on a consignment basis to a customer distribution center or warehouse whereby the company retains control of the product stored at the customer's distribution center or warehouse. As the company's products are removed from the distribution center or warehouse by the customer and shipped to the retail sale location, control is transferred from the company to the customer. At that time, the company invoices the customer and recognizes revenue for these consignment transactions. The company does not offer a right of return for products shipped to the customer's retail sale location from the distribution center or warehouse. The total value of consignment inventory as of October 31, 2024 and 2023 was $18.0 million and $38.3 million, respectively.

Product revenue is recognized based on the transaction price, which is measured as the amount of consideration the company expects to receive in exchange for transferring control of a product to a customer. The company recognizes variable consideration as a reduction of the transaction price at the time of the initial product sale by applying the portfolio approach practical expedient under the accounting standards codification guidance for revenue from contracts with customers. Variable consideration typically occurs as a result of certain of the company's sales promotions and incentive programs that are determined to represent price concessions because the program either: (i) results in an immediate reduction of the transaction price with no anticipated future costs or consideration provided to the customer, or (ii) the company anticipates a future cost based on historical or expected future business practice for which the company does not receive a distinct good or service in exchange for the future consideration provided to the customer under the program. Such programs primarily consist of off-invoice discounts, rebates, and floor plan and retail financing. The cost of off-invoice discounts are incurred at the time of sale as a reduction of the transaction price and as a result, have no future cost. For all other sales promotion and incentive programs recorded as a reduction of the transaction price at the time of the initial product sale, the company estimates variable consideration using the expected value method because the company anticipates providing a future price concession based on historical or expected future business practice or other factors. Estimates of variable consideration under the expected value method are primarily based on the terms of the sales arrangements and sales promotion and incentive programs with customers, historical payment and rebate claims experience, field inventory levels, quantity or mix of products sold, projected sales volumes, types of programs offered, and expectations for the acceptance of sales promotion and incentive programs offered in the future or changes in other relevant trends. When revenue is recognized, the estimated expense of these sales promotions and incentives programs is recorded as a reduction from gross sales within the Consolidated Statements of Earnings with a corresponding accrual recorded within sales promotions and incentives programs in the Consolidated Balance Sheets. Additionally, from time to time, the company may offer its customers the right to return eligible equipment and irrigation products, replacement parts, and accessories. Such right of return offered on the company's products is also considered to be variable consideration that is estimated and recorded as a reduction of revenue based primarily on historical experience, anticipated sales returns estimated from sales terms, trend analysis, and other factors. The company records the obligation for product returns within accrued liabilities in the Consolidated Balance Sheets and the right-of-return asset in prepaid expenses and other current assets in the Consolidated Balance Sheets. The refund liability and right-of-return asset are remeasured for changes in the estimate at each reporting date with a corresponding adjustment to net sales and cost of sales within the Consolidated Statements of Earnings. There are no material instances where variable consideration is constrained and not recorded at the initial time of sale.

Collectability from the customer for product revenue is generally assumed to be probable because the company's financial exposure related to accounts receivable is reduced due to its dealer and distributor inventory financing programs. For additional information regarding these programs, refer to Note 11, *Commitments and Contingencies.* The company's product sales to customers that do not elect to finance product purchases are generally on open account with terms that generally approximate

30 to 150 days. The resulting receivables are included within receivables, net on the Consolidated Balance Sheets. The company performs ongoing credit evaluations of customers on open account terms in order to assess collectability.

Service and Extended Warranty Revenue

In certain cases, the company renders service contracts to customers, which typically range from 12 to 60 months. The company also sells separately priced extended warranty coverage on select products for a prescribed period after the standard warranty period expires, which typically range from 12 to 24 months. Under both types of contracts, the company receives payment at the inception of the contract and recognizes revenue over the term of the agreement in proportion to the costs expected to be incurred in satisfying the performance obligations under the contract.

Contract Liabilities

Contract liabilities relate to deferred revenue recognized for cash consideration received at contract inception in advance of the company's performance under the respective contract and generally relate to the sale of separately priced extended warranty contracts, service contracts, and non-refundable customer deposits. The company recognizes revenue over the term of the contract in proportion to the costs expected to be incurred in satisfying the performance obligations under the separately priced extended warranty and service contracts. For non-refundable customer deposits, the company recognizes revenue as of the point in time in which the performance obligation has been satisfied under the contract with the customer, which typically occurs upon change in control at the time a product is shipped. As of October 31, 2024 and October 31, 2023, $29.6 million and $25.6 million, respectively, of deferred revenue associated with outstanding separately priced extended warranty contracts, service contracts, and non-refundable customer deposits was reported within accrued liabilities and other long-term liabilities in the Consolidated Balance Sheets. For the fiscal year ended October 31, 2024, the company recognized $12.0 million of the October 31, 2023 deferred revenue balance. The company expects to recognize approximately $14.1 million of the October 31, 2024 deferred revenue balance within net sales in the Consolidated Statements of Earnings in fiscal 2025 and $15.5 million thereafter.

5 Goodwill and Other Intangible Assets

Goodwill

The changes in the carrying amount of goodwill by reportable segment for fiscal 2024 and 2023 were as follows (dollars in millions):

	Professional	Residential	Other	Total
Balance as of October 31, 2022	$ 573.0	$ 10.3	$ —	$ 583.3
Non-cash impairment charge	(133.3)	—	—	(133.3)
Translation adjustments	0.8	—	—	0.8
Balance as of October 31, 2023	440.5	10.3	—	450.8
Goodwill divested	(0.5)	(0.5)	—	(1.0)
Translation adjustments	0.4	0.1	—	0.5
Balance as of October 31, 2024	$ 440.4	$ 9.9	$ —	$ 450.3

Other Intangible Assets

The components of other intangible assets were as follows (dollars in millions, except weighted-average useful life in years):

October 31, 2024	Weighted-Average Useful Life in Years	Gross Carrying Amount	Accumulated Amortization	Net
Patents	9.9	$ 18.2	$ (16.7)	$ 1.5
Customer-related	16.0	319.9	(128.0)	191.9
Developed technology	7.1	102.9	(72.9)	30.0
Trade names	13.7	10.7	(7.0)	3.7
Total finite-lived	13.7	451.7	(224.6)	227.1
Indefinite-lived - trade names		271.6	—	271.6
Total other intangible assets, net		$ 723.3	$ (224.6)	$ 498.7

October 31, 2023	Weighted-Average Useful Life in Years	Gross Carrying Amount	Accumulated Amortization	Net
Patents	9.9	$ 18.2	$ (16.0)	$ 2.2
Non-compete agreements	5.5	6.9	(6.9)	—
Customer-related	15.8	327.5	(106.7)	220.8
Developed technology	7.1	102.0	(63.1)	38.9
Trade names	13.7	10.7	(4.0)	6.7
Backlog and other	0.6	5.7	(5.7)	—
Total finite-lived	13.3	471.0	(202.4)	268.6
Indefinite-lived - trade names		271.5	—	271.5
Total other intangible assets, net		$ 742.5	$ (202.4)	$ 540.1

Amortization expense for finite-lived intangible assets for the fiscal years ended October 31, 2024, 2023, and 2022 was $34.5 million, $35.7 million, and $33.9 million, respectively. Estimated amortization expense for the succeeding fiscal years is as follows (dollars in millions):

Succeeding fiscal year	Estimated amortization expense
2025	$ 30.1
2026	28.9
2027	23.9
2028	21.2
2029	20.1
Thereafter	102.9
Total estimated amortization expense	$ 227.1

6 Indebtedness

The following is a summary of the company's indebtedness (dollars in millions):

October 31	2024	2023
Revolving credit facility, due October 2029	$ —	$ 40.0
Term loan, due October 2029	200.0	270.0
Term loan, due April 2027	200.0	200.0
3.81% series A senior notes, due June 2029	100.0	100.0
3.91% series B senior notes, due June 2031	100.0	100.0
3.97% senior notes, due June 2032	100.0	100.0
7.8% debentures, due June 2027	100.0	100.0
6.625% senior notes, due May 2037	124.2	124.2
Less: unamortized debt issuance costs	2.4	2.7
Long-term debt	921.8	1,031.5
Less: current portion of long-term debt	10.0	—
Long-term debt, less current portion	$ 911.8	$ 1,031.5

Principal payments required on the company's outstanding indebtedness, based on the maturity dates defined within the company's debt arrangements, for the succeeding fiscal years is as follows (dollars in millions):

Succeeding fiscal year	Principal payments
2025	$ 10.0
2026	20.0
2027	270.0
2028	20.0
2029	280.0
Thereafter	325.0
Total principal payments	$ 925.0

Revolving Credit Facility

On October 2, 2024, the company entered into the second amended and restated credit agreement ("2024 Credit Agreement") that provided for, among other things, a five-year unsecured revolving credit facility with a borrowing capacity of up to $900.0 million ("revolving credit facility") that matures on October 2, 2029 and replaced the company's prior $600.0 million unsecured senior revolving credit facility ("prior revolving credit facility") scheduled to mature on October 5, 2026. Included in the revolving credit facility is a $10.0 million sublimit for standby letters of credit and a $75.0 million sublimit for swingline loans. At the company's election, and with the approval of the named borrowers on the revolving credit facility and the election of the lenders to fund such increase, the aggregate maximum principal amount available under the revolving credit facility may be increased by an amount of up to $450.0 million. Funds are available under the revolving credit facility for working capital, capital expenditures, and other lawful corporate purposes, including, but not limited to, acquisitions and common stock repurchases, subject in each case to compliance with certain financial covenants as defined in the 2024 Credit Agreement. As of October 31, 2024, the company had no outstanding borrowings under the revolving credit facility and $2.7 million outstanding under the sublimit for standby letters of credit, resulting in $897.3 million of unutilized availability under the revolving credit facility. As of October 31, 2023, the company had $40.0 million outstanding borrowings under the prior revolving credit facility and $2.6 million outstanding under the sublimit for standby letters of credit, resulting in $557.4 million of unutilized availability under the prior revolving credit facility.

Outstanding loans under the revolving credit facility, other than swingline loans, if applicable, bear interest at a variable rate generally based on SOFR or an alternative variable rate based on the highest of the Bank of America prime rate, the federal funds rate or a rate generally based on SOFR, in each case subject to an additional basis point spread as defined in the 2024 Credit Agreement. Swingline loans under the revolving credit facility bear interest at a rate determined by the swingline lender or an alternative variable rate based on the highest of the Bank of America prime rate, the federal funds rate or a rate generally based on SOFR, in each case subject to an additional basis point spread as defined in the 2024 Credit Agreement. Interest is payable quarterly in arrears. The interest rate on outstanding borrowings as of October 31, 2024 was 5.85%. During fiscal 2024, 2023 and 2022, the company incurred interest expense of $5.4 million, $5.7 million and $2.4 million, respectively, on the outstanding borrowings under the current and prior revolving credit facilities.

Term Loan Maturing October 2029

The 2024 credit agreement also provided for a five-year unsecured term loan in an aggregate principal amount of $200.0 million, the entire amount of which was funded on October 2, 2024 and matures on October 2, 2029 ("2024 Term Loan"). Under the 2024 Credit Agreement, incremental term loan commitments may be established at the company's election and the approval of the lenders on the 2024 Term Loan by an amount of up to $100.0 million.

Beginning December 31, 2027, the company is required to make $5.0 million quarterly principal repayments on the 2024 Term Loan, reduced by applicable prepayments. On October 2, 2029, the aggregate principal amount of any remaining outstanding borrowings under the 2024 Term Loan is required to be repaid. The 2024 Term Loan may be prepaid and terminated at the company's election at any time without penalty or premium. Amounts repaid or prepaid may not be reborrowed. As of October 31, 2024, there was $200.0 million of outstanding borrowings under the 2024 Term Loan.

Outstanding borrowings under the 2024 Term Loan bear interest on the outstanding principal amount thereof for each interest period at a variable rate generally based on Term SOFR or an alternative variable rate based on the highest of the Bank of America prime rate, the federal funds rate or a rate generally based on Term SOFR, in each case subject to an additional basis point spread as defined in the 2024 Credit Agreement. Interest is payable quarterly in arrears. The interest rate on outstanding borrowings as of October 31, 2024 was 5.79%. For the fiscal years ended October 31, 2024, 2023, and 2022, the company incurred interest expense of $17.0 million, $15.9 million and $5.7 million, respectively, on the outstanding borrowings under the 2024 Term Loan.

Term Loan Maturing April 2027

On April 27, 2022, the company entered into a term loan credit agreement ("2022 Credit Agreement") with certain financial institutions which provided for a five-year unsecured term loan in an aggregate principal amount of $200.0 million, the entire amount of which was funded on April 27, 2022, and matures on April 27, 2027 ("2022 Term Loan"). On September 22, 2023, the company amended the 2022 Credit Agreement to permit non-cash charges in its “Consolidated EBIT” calculation among other administrative amendments.

Beginning with the last business day of June 2025, the company is required to make quarterly amortization payments on the 2022 Term Loan equal to 2.5% of the original aggregate principal amount reduced by any applicable prepayments. The 2022 Term Loan may be prepaid and terminated at the company's election at any time without penalty or premium. Amounts repaid or prepaid may not be reborrowed. As of October 31, 2024, there was $200.0 million of outstanding borrowings under the 2022 Term Loan.

Outstanding borrowings under the 2022 Term Loan bear interest on the outstanding principal amount thereof for each interest period at a variable rate generally based on Term SOFR or an alternative variable rate based on the highest of the Bank of America prime rate, the federal funds rate or a rate generally based on Term SOFR, in each case subject to an additional basis point spread as defined in the 2022 Credit Agreement. Interest is payable quarterly in arrears. The interest rate on outstanding borrowings as of October 31, 2024 was 5.66%. For the fiscal years ended October 31, 2024, 2023, and 2022, the company incurred interest expense of $12.8 million, $11.7 million, and $3.1 million, respectively, on the outstanding borrowings under the 2022 Term Loan.

3.81% Series A and 3.91% Series B Senior Notes

On April 30, 2019, the company entered into a private placement note purchase agreement with certain purchasers pursuant to which the company agreed to issue and sell an aggregate principal amount of $100.0 million of 3.81% Series A Senior Notes due June 15, 2029 ("Series A Senior Notes") and $100.0 million of 3.91% Series B Senior Notes due June 15, 2031 ("Series B Senior Notes" and together with the Series A Senior Notes, the "Senior Notes"). On June 27, 2019, the company issued $100.0 million of the Series A Senior Notes and $100.0 million of the Series B Senior Notes pursuant to the private placement note purchase agreement. The Senior Notes are unsecured senior obligations of the company.

No principal is due on the Senior Notes prior to their stated due dates. The company has the right to prepay all or a portion of either series of the Senior Notes in amounts not less than 10% of the then outstanding principal amount of the series of Senior Notes being prepaid upon notice to the holders of such series for 100% of the principal amount prepaid, plus a make-whole premium, as set forth in the private placement note purchase agreement, plus accrued and unpaid interest, if any, to the date of prepayment. In addition, at any time on or after the date that is 90 days prior to the maturity date of the respective series, the company has the right to prepay all of the outstanding Senior Notes of such series for 100% of the principal amount so prepaid, plus accrued and unpaid interest, if any, to the date of prepayment. Upon the occurrence of certain change of control events, the company is required to offer to prepay all Senior Notes for 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of prepayment.

Interest on the Senior Notes is payable semiannually on the 15th day of June and December in each year. For each of the fiscal years ended October 31, 2024, 2023, and 2022, the company incurred interest expense of $7.7 million, respectively.

3.97% Senior Notes

On June 30, 2022, the company issued $100.0 million of 3.97% Senior Notes due June 30, 2032 ("3.97% Senior Notes") pursuant to a private placement note purchase agreement ("2022 Note Purchase Agreement") with certain purchasers. The 3.97% Senior Notes are unsecured senior obligations of the company and mature on June 30, 2032.

The company has the right to prepay all or a portion of the 3.97% Senior Notes in an amount not less than 10% of the then outstanding principal amount upon notice to the holders for 100% of the prepaid principal amount plus a make-whole premium, as set forth in the 2022 Note Purchase Agreement, plus accrued and unpaid interest, if any, to the date of prepayment. In addition, at any time during the 90 day period ending on the maturity date of the 3.97% Senior Notes, the company will have the right to prepay all of the 3.97% Senior Notes for 100% of the principal amount prepaid, plus accrued and unpaid interest, if any, to the date of prepayment. Upon the occurrence of certain change of control events, the company is required to offer to prepay all of the 3.97% Senior Notes for 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of prepayment.

Interest on the 3.97% Senior Notes is payable semiannually on the 30th day of June and December in each year. For the fiscal years ended October 31, 2024, 2023, and 2022, the company incurred interest expense of $4.0 million, $4.0 million, and $1.3 million, respectively, on the outstanding borrowings under the 3.97% Senior Notes.

7.8% Debentures

In June 1997, the company issued $175.0 million of debt securities consisting of $75.0 million of 7.125% coupon 10-year notes which were repaid at maturity during fiscal 2007, and $100.0 million of 7.8% coupon 30-year debentures due June 15, 2027. In connection with the issuance of $175.0 million in long-term debt securities, the company paid $23.7 million to terminate three forward-starting interest rate swap agreements with notional amounts totaling $125.0 million. These swap agreements had been entered into to reduce exposure to interest rate risk prior to the issuance of the new long-term debt securities. As of the inception of one of the swap agreements, the company had received payments that were recorded as deferred income to be recognized as an adjustment to interest expense over the term of the new debt securities. As of the date the swaps were terminated, this deferred income totaled $18.7 million. The excess termination fees over the deferred income recorded was deferred and is being recognized as an adjustment to interest expense over the term of the debt securities issued.

Interest on the debentures is payable semiannually on the 15th day of June and December in each year. For each of the fiscal years ended October 31, 2024, 2023, and 2022, the company incurred interest expense of $8.0 million, respectively.

6.625% Senior Notes

On April 26, 2007, the company issued $125.0 million in aggregate principal amount of 6.625% senior notes due May 1, 2037 and priced at 98.513% of par value. The resulting discount of $1.9 million is being amortized over the term of the notes using the straight-line method as the results obtained are not materially different from those that would result from the use of the effective interest method. Although the coupon rate of the senior notes is 6.625%, the effective interest rate is 6.741% after taking into account the issuance discount. The senior notes are unsecured senior obligations of the company and rank equally with the company's other unsecured and unsubordinated indebtedness. The company may redeem some or all of the senior notes at any time at the greater of the full principal amount of the senior notes being redeemed or the present value of the remaining scheduled payments of principal and interest discounted to the redemption date on a semi-annual basis at the treasury rate plus 30 basis points, plus, in both cases, accrued and unpaid interest. In the event of the occurrence of both (i) a change of control of the company, and (ii) a downgrade of the notes below an investment grade rating by both Moody's Investors Service, Inc. and Standard & Poor's Ratings Services within a specified period, the company would be required to make an offer to purchase the senior notes at a price equal to 101% of the principal amount of the senior notes plus accrued and unpaid interest to the date of repurchase.

Interest on the senior notes is payable semiannually on the 1st day of May and November in each year. For each of the fiscal years ended October 31, 2024, 2023, and 2022, the company incurred interest expense of $8.4 million, respectively.

Covenants

The company's debt agreements contain customary representations and warranties of the company, event of default provisions, as well as certain customary covenants, including, without limitation, financial covenants, such as the maintenance of a maximum leverage ratio; and negative covenants, which among other things, limit cash dividends, disposition of assets, consolidations and mergers, liens, and other matters customarily restricted in such agreements. Most of these restrictions are subject to certain minimum thresholds and exceptions. The company was in compliance with all covenants under they company's outstanding indebtedness as of October 31, 2024.

7 Investment in Joint Venture

The company is party to a joint venture with HDF, established as Red Iron, the primary purpose of which is to provide customer inventory financing to certain distributors and dealers of certain of the company's products in the U.S. The company has also entered into a limited inventory repurchase agreement with Red Iron. For additional information regarding the customer financing aspect of the arrangement, as well as the limited inventory purchase agreement, refer to Note 11, *Commitments and Contingencies*.

The company owns 45 percent of Red Iron and HDF owns 55 percent of Red Iron. The company accounts for its investment in Red Iron under the equity method of accounting. The company and HDF each contributed a specified amount of the estimated cash required to enable Red Iron to purchase the company's floor plan financing receivables and to provide financial support for Red Iron's floor plan financing programs. Red Iron borrows the remaining requisite estimated cash utilizing a $1,350.0 million secured revolving credit facility established under a credit agreement between Red Iron and HDF. The company's total investment in Red Iron as of October 31, 2024 and 2023 was $49.2 million and $50.6 million, respectively. The company has not guaranteed the outstanding indebtedness of Red Iron.

8 Income Taxes

Earnings Before Income Taxes

Earnings before income taxes were as follows (dollars in millions):

Fiscal Years Ended October 31	2024	2023	2022
Earnings before income taxes:			
United States	$ 436.6	$ 345.0	$ 491.3
Foreign	76.2	55.5	61.2
Total earnings before income taxes	$ 512.8	$ 400.5	$ 552.5

Reconciliation of Effective Tax Rate

A reconciliation of the statutory federal income tax rate to the company's effective tax rate is summarized as follows:

Fiscal Years Ended October 31	2024	2023	2022
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Excess deduction for stock-based compensation	(0.6)	(1.1)	(0.4)
State and local income taxes, net of federal benefit	2.2	1.8	2.0
Foreign operations	(1.2)	(0.7)	(0.7)
Federal research tax credit	(1.9)	(2.3)	(1.3)
Foreign-derived intangible income	(0.9)	(1.1)	(0.7)
Other, net	(0.3)	0.1	(0.1)
Effective tax rate	18.3 %	17.7 %	19.8 %

Provision for Income Taxes

Components of the company's provision for income taxes were as follows (dollars in millions):

Fiscal Years Ended October 31	2024	2023	2022
Current provision:			
Federal	$ 94.9	$ 94.4	$ 94.7
State	18.5	17.0	19.1
Foreign	8.4	7.3	7.7
Total current provision	$ 121.8	$ 118.7	$ 121.5
Deferred (benefit) provision:			
Federal	$ (23.6)	$ (37.8)	$ (7.4)
State	(4.6)	(10.3)	(4.9)
Foreign	0.3	0.2	—
Total deferred benefit	(27.9)	(47.9)	(12.3)
Total provision for income taxes	$ 93.9	$ 70.8	$ 109.2

Deferred Income Taxes

The components of the company's deferred income tax assets and liabilities were as follows (dollars in millions):

Fiscal Years Ended October 31	2024	2023
Deferred income tax assets:		
Research and experimentation	$ 64.6	$ 35.4
Warranty and insurance	40.0	37.6
Compensation and benefits	32.3	32.5
Lease liabilities	32.1	35.3
Advertising and sales promotions and incentives	19.8	16.5
Inventory	6.8	14.4
Net operating losses and other carryforwards	5.4	5.3
Other[1]	6.9	3.3
Valuation allowance	(5.1)	(3.3)
Deferred income tax assets	$ 202.8	$ 177.0
Deferred income tax liabilities:		
Right-of-use assets	$ (31.5)	$ (34.8)
Depreciation	(55.1)	(60.0)
Amortization	(71.7)	(68.4)
Deferred income tax liabilities	(158.3)	(163.2)
Deferred income tax assets, net	$ 44.5	$ 13.8

[1] Presentation of fiscal 2023 deferred income taxes has been conformed to the current year presentation. There was no change to total deferred income tax assets, deferred income tax liabilities, or deferred income tax liabilities, net.

As of October 31, 2024, the company has domestic net operating loss carryforwards of $2.2 million for federal income tax purposes, and $3.1 million state income tax purposes, that do not expire and $0.4 million for state income tax purposes that expire between fiscal 2038 and fiscal 2044. As of October 31, 2024, the company has net operating loss carryforwards of approximately $6.9 million in foreign jurisdictions, which are comprised of $6.7 million that do not expire and $0.2 million that expires between fiscal 2035 and fiscal 2041. The company also has domestic credit carryforwards of $2.3 million that expire between fiscal 2027 and fiscal 2043.

The net change in the total valuation allowance between the fiscal years ended October 31, 2024 and 2023 was an increase of $1.8 million. The change in valuation allowance is related to capital loss carryforwards, domestic tax credits, and foreign net operating losses that are expected to expire prior to utilization.

The company expects that $25.9 million of the total undistributed earnings of its foreign operations will be indefinitely reinvested. Should these earnings be distributed in the future in the form of dividends or otherwise, the company may be subject to foreign withholding taxes, state income taxes, and/or additional federal taxes for currency fluctuations. As of October 31, 2024, the unrecognized deferred tax liabilities for temporary differences related to the company's investment in non-U.S. subsidiaries, and any withholding, state, or additional federal taxes that may be applied upon any future repatriation, are expected to be immaterial.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (dollars in millions):

Unrecognized tax benefits as of October 31, 2023	$	3.7
Increase as a result of tax positions taken during the current period		0.4
Reductions as a result of statute of limitations lapses		(0.6)
Unrecognized tax benefits as of October 31, 2024	$	3.5

The company recognizes interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes within the Consolidated Statements of Earnings. In addition to the unrecognized tax benefits of $3.5 million, which have been recorded as an other accrued liability within the Consolidated Balance Sheets as of October 31, 2024, the company recorded $1.1 million of accrued interest and penalties as an other accrued liability within the Consolidated Balance Sheets as of October 31, 2024. Included in the balance of unrecognized tax benefits as of October 31, 2024 are potential benefits of $3.7 million that, if recognized, would affect the effective tax rate.

The company and its wholly owned subsidiaries file income tax returns in the U.S. federal jurisdiction, and numerous state and foreign jurisdictions. With few exceptions, the company is no longer subject to U.S. federal, state and local, and foreign income tax examinations by tax authorities for taxable years before fiscal 2020. The Internal Revenue Service has commenced an audit of fiscal 2022, with no material adjustments to tax expense or unrecognized tax benefits expected. The company is under audit in certain state jurisdictions and expects various statutes of limitation to expire during the next 12 months. Due to the uncertainty related to the response of taxing authorities, a range of outcomes cannot be reasonably estimated at this time.

The Organization for Economic Co-operation and Development ("OECD") has issued the Pillar Two Model Rules Framework (the "Framework"), which establishes global minimum tax rules with a minimum tax rate of 15%. The OECD continues to release additional guidance on these rules. Although it is uncertain whether the United States will enact legislation to adopt the minimum tax directive, certain countries where the company operates have adopted legislation effective for fiscal years beginning on or after January 1, 2024, and other countries are in the process of introducing such legislation. The company does not expect the Framework to have a material impact on its Consolidated Financial Statements.

9 Stock-Based Compensation

On March 15, 2022, the company's shareholders approved The Toro Company 2022 Equity and Incentive Plan (the "2022 Plan"), which became effective immediately and replaced The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended (the "2010 Plan") with respect to future grants of awards. The 2022 Plan is administered by the Compensation and Human Resources Committee of the Board of Directors and permits the grant of nonqualified and incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, annual performance awards, non-employee director awards and other cash-based and stock-based awards to eligible individuals. Subject to adjustment as provided in the 2022 Plan, the maximum aggregate number of shares of the company's common stock authorized for issuance under the 2022 Plan is equal to the sum of: (a) 1,250,000 shares, plus (b) the number of shares remaining available for grant under the 2010 Plan but not subject to outstanding awards thereunder as of March 15, 2022, and plus (c) the number of shares subject to awards outstanding under the 2010 Plan as of March 15, 2022 but only to the extent that such outstanding awards are forfeited, expire or otherwise terminate without the issuance of such shares. The number of unissued shares of common stock available for future stock-based compensation award grants under the 2022 Plan was 2,399,205 as of October 31, 2024. All outstanding stock-based compensation awards were granted under the 2010 Plan or the 2022 Plan. Shares of common stock issued upon the exercise, vesting, or settlement of stock options, restricted stock units, and performance shares are issued from treasury shares.

Compensation costs related to stock-based compensation awards were as follows (dollars in millions):

Fiscal Years Ended October 31	2024	2023	2022
Stock option awards	$ 14.6	$ 8.5	$ 10.0
Performance share awards	(0.2)	2.9	5.8
Restricted stock unit awards	8.0	6.9	5.7
Unrestricted common stock awards	0.6	1.1	0.6
Total compensation cost for stock-based compensation awards	$ 23.0	$ 19.4	$ 22.1
Related tax benefit from stock-based compensation awards	$ 5.6	$ 4.7	$ 5.3

Stock Option Awards

Stock options are granted with an exercise price equal to the closing price of the company's common stock on the date of grant, as reported by the New York Stock Exchange and are generally granted to executive officers, other employees, and non-employee Board members on an annual basis in the first quarter of the company's fiscal year but may also be granted throughout the fiscal year in connection with hiring, mid-year promotions, leadership transition, or retention, as needed and applicable. Options generally vest one-third each year over a three-year period and have a ten-year term but in certain circumstances, the vesting requirement may be modified such that options granted to certain employees vest in full on the three-year anniversary of the date of grant and have a ten-year term. Compensation cost equal to the grant date fair value determined under the Black-Scholes valuation method is generally recognized for these awards over the vesting period. Compensation cost recognized for other employees not considered executive officers or non-employee Board members is net of estimated forfeitures, which are determined at the time of grant based on historical forfeiture experience. Stock options granted to executive officers and other employees are subject to accelerated expensing if the option holder meets the retirement definition set forth in the applicable equity and incentive plan. In that case, the fair value of the options is expensed in the fiscal year of grant because generally, if the option holder is employed as of the end of the fiscal year in which the options are granted, such options will not be forfeited but continue to vest according to their schedule following retirement. Similarly, if a non-employee Board member has served on the company's Board for ten full fiscal years or more, the awards will not be forfeited but continue to vest according to their schedule following retirement. Therefore, the fair value of the options granted is fully expensed on the date of the grant.

The fair value of each stock option is estimated on the date of grant using various inputs and assumptions under the Black-Scholes valuation method. The expected life is a significant assumption as it determines the period for which the risk-free interest rate, stock price volatility, and dividend yield must be applied. The expected life is the average length of time in which executive officers, other employees, and non-employee Board members are expected to exercise their stock options, which is primarily based on historical exercise experience. The company groups executive officers and non-employee Board members for valuation purposes based on similar historical exercise behavior. Expected stock price volatility is based on the daily movement of the company's common stock over the most recent historical period equivalent to the expected life of the option. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury rate over the expected life at the time of grant. The expected dividend yield is estimated over the expected life based on the company's historical cash dividends paid, expected future cash dividends and dividend yield, and expected changes in the company's stock price.

The table below illustrates the weighted-average valuation assumptions used under the Black-Scholes valuation method for options granted in the following fiscal periods:

Fiscal Years Ended October 31	2024	2023	2022
Expected life of option in years	6.37	6.31	6.19
Expected stock price volatility	26.76 %	25.20 %	23.74 %
Risk-free interest rate	3.95 %	3.79 %	1.31 %
Expected dividend yield	1.15 %	0.95 %	0.94 %
Per share weighted-average fair value at date of grant	$ 30.39	$ 33.21	$ 22.55

The table below presents stock option activity for fiscal 2024:

	Stock Option Awards	Weighted-Average Exercise Price	Weighted-Average Contractual Life (years)	Aggregate Intrinsic Value (dollars in millions)
Outstanding as of October 31, 2023	2,973,430	$ 78.80	5.4	$ 32.0
Granted	442,665	98.76		
Exercised	(267,815)	52.44		
Forfeited	(27,914)	101.04		
Outstanding as of October 31, 2024	3,120,366	$ 83.69	5.3	$ 23.8
Exercisable as of October 31, 2024	2,257,752	$ 76.45	4.2	$ 23.8

As of October 31, 2024, there was $5.8 million of total unrecognized compensation cost related to unvested stock options that is expected to be recognized over a weighted-average period of 1.90 years.

The table below presents the total market value of stock options exercised and the total intrinsic value of options exercised during the following fiscal years (dollars in millions):

Fiscal Years Ended October 31	2024	2023	2022
Market value of stock options exercised	$ 25.1	$ 43.4	$ 20.1
Intrinsic value of stock options exercised[1]	$ 11.1	$ 22.8	$ 9.8

[1] Intrinsic value is calculated as the amount by which the stock price at exercise date exceeded the option exercise price.

Performance Share Awards

The company grants performance share awards on an annual basis in the first quarter of the company's fiscal year to executive officers and other employees under which they are entitled to receive shares of the company's common stock contingent on the achievement of performance goals of the company, which are generally measured over a three-year period. The number of shares of common stock a participant receives can be increased (up to 200 percent of target levels) or reduced (down to zero) based on the level of achievement of performance goals and will vest at the end of a three-year period. Compensation cost is recognized for these awards on a straight-line basis over the vesting period based on the per share fair value, which is equal to the closing price of the company's common stock on the date of grant, and the probability of achieving each performance goal.

Factors related to the company's performance share awards are as follows (dollars in millions, except per award data):

Fiscal Years Ended October 31	2024	2023	2022
Weighted-average fair value per award at date of grant	$ 99.60	$ 112.14	$ 98.41
Fair value of performance share awards vested	$ 7.7	$ 5.3	$ 4.8

The table below presents fiscal 2024 activity for unvested performance share awards:

	Performance Shares	Weighted-Average Fair Value at Date of Grant
Unvested as of October 31, 2023	186,760	$ 100.57
Granted	108,636	99.60
Vested	(85,324)	90.59
Forfeited	(3,400)	103.72
Unvested as of October 31, 2024	206,672	$ 103.26

As of October 31, 2024, there was $0.5 million of total unrecognized compensation cost related to unvested performance share awards that is expected to be recognized over a weighted-average period of 1.00 year.

Restricted Stock Unit Awards

Restricted stock unit awards are generally granted on an annual basis to certain employees that are not executive officers and occasionally may be granted, including to executive officers, in connection with hiring, mid-year promotions, leadership transition, or retention. Restricted stock unit awards generally vest one-third each year over a three-year period, or vest in full on the three-year anniversary of the date of grant. In rare circumstances, such awards may have performance-based rather than time-based vesting requirements. Compensation cost equal to the grant date fair value, net of estimated forfeitures, is recognized for these awards over the vesting period. The grant date fair value is equal to the closing price of the company's common stock on the date of grant multiplied by the number of shares subject to the restricted stock unit awards and estimated forfeitures are determined on the grant date based on historical forfeiture experience.

Factors related to the company's restricted stock unit awards are as follows (dollars in millions, except per award data):

Fiscal Years Ended October 31	2024	2023	2022
Weighted-average fair value per award at date of grant	$ 96.58	$ 103.40	$ 88.90
Fair value of restricted stock units vested	$ 7.7	$ 6.2	$ 5.5

The table below presents fiscal 2024 activity for unvested restricted stock units:

	Restricted Stock Units	Weighted-Average Fair Value at Date of Grant
Unvested as of October 31, 2023	179,826	$ 97.66
Granted	100,758	96.58
Vested	(79,744)	96.45
Forfeited	(9,672)	98.23
Unvested as of October 31, 2024	191,168	$ 97.58

As of October 31, 2024, there was $9.7 million of total unrecognized compensation cost related to unvested restricted stock units that is expected to be recognized over a weighted-average period of 2.11 years.

Unrestricted Common Stock Awards

During fiscal 2024, 2023, and 2022, 7,544, 10,329, and 6,453 shares, respectively, of fully vested unrestricted common stock awards were granted to certain Board members as a component of their compensation for their service on the Board and were recorded within selling, general and administrative expense in the Consolidated Statements of Earnings. Additionally, our Board members may elect to convert a portion or all of their calendar year annual retainers otherwise payable in cash into shares of the company's common stock.

Deferred Compensation Plan

The company maintains a deferred compensation plan that allows executive officers and certain other employees that receive performance share awards to defer receipt of shares of the company's common stock paid out under such awards to a date in the future. Participants can defer up to 100 percent of the common stock payout and are always 100 percent vested in their accounts. Common stock payout deferrals under this plan are held in a rabbi trust and treated in a manner similar to treasury shares and are recorded at cost within stockholders' equity in the Consolidated Balance Sheets as of October 31, 2024 and 2023. The total of common stock required to settle this deferred compensation obligation is included in the denominator of the calculation of both basic and diluted net earnings per share of common stock.

10 Stockholders' Equity

Share Repurchase Program

During fiscal 2024 and 2023, the company paid $245.5 million and $60.0 million to repurchase 2,777,534 and 577,115 shares under the share repurchase program, respectively. As of October 31, 2024, 8,171,957 shares remain available for repurchase.

Treasury Shares

Treasury shares generally consist of shares of the company's common stock repurchased under the share repurchase program. The company values treasury shares on an average cost basis. As of October 31, 2024, the company had a total of 26,319,681 treasury shares at a total average cost of $1,968.9 million. As of October 31, 2023, the company had a total of 23,888,294 treasury shares at a total average cost of $1,743.6 million.

Accumulated Other Comprehensive Loss

The components of AOCL, net of tax, within the Consolidated Statements of Stockholders' Equity were as follows (dollars in millions):

As of October 31	2024	2023
Foreign currency translation adjustments	$ 33.9	$ 41.7
Pension benefits	4.3	4.3
Cash flow derivative instruments	7.8	(9.0)
Total accumulated other comprehensive loss	$ 46.0	$ 37.0

The components and activity of AOCL, net of tax, were as follows (dollars in millions):

	Foreign Currency Translation Adjustments	Pension Benefits	Cash Flow Derivative Instruments	Total
Balance as of October 31, 2023	$ 41.7	$ 4.3	$ (9.0)	$ 37.0
Other comprehensive (income) loss before reclassifications	(7.8)	—	11.6	3.8
Amounts reclassified from AOCL	—	—	5.2	5.2
Net current period other comprehensive (income) loss	(7.8)	—	16.8	9.0
Balance as of October 31, 2024	$ 33.9	$ 4.3	$ 7.8	$ 46.0

	Foreign Currency Translation Adjustments	Pension Benefits	Cash Flow Derivative Instruments	Total
Balance as of October 31, 2022	$ 51.3	$ 3.6	$ (21.8)	$ 33.1
Other comprehensive (income) loss before reclassifications	(9.6)	0.7	(2.5)	(11.4)
Amounts reclassified from AOCL	—	—	15.3	15.3
Net current period other comprehensive (income) loss	(9.6)	0.7	12.8	3.9
Balance as of October 31, 2023	$ 41.7	$ 4.3	$ (9.0)	$ 37.0

For additional information on the components reclassified from AOCL to the respective line items in net earnings for derivative instruments refer to Note 13, *Derivative Instruments and Hedging Activities*.

11 Commitments and Contingencies

Customer Financing

Inventory Financing Arrangements

The company is party to inventory financing arrangements with Red Iron, HCFC, and other third-party financial institutions (collectively, the "financial institutions") which provide inventory financing to certain dealers and distributors of certain of the company's products in the U.S. and internationally. These financing arrangements are structured as an advance in the form of a payment by the financial institutions to the company on behalf of a distributor or dealer with respect to invoices financed by the financial institution. These payments extinguish the obligation of the dealer or distributor to make payment to the company under the terms of the applicable invoice.

Under separate agreements between the financial institutions and the dealers and distributors, the financial institutions provide loans to the dealers and distributors for the advances paid by the financial institutions to the company. Under these financing arrangements, down payments are not required, and depending on the finance program for each product line, finance charges are incurred by the company, shared between the company and the distributor and/or the dealer, or paid by the distributor or dealer. The financial institutions retain a security interest in the distributors' and dealers' financed inventories and such inventories are monitored regularly through audits. Financing terms to the distributors and dealers require payment as the inventory, which secures the indebtedness, is sold to end-users or when payment otherwise become due under the agreements between the financial institutions and the distributors and dealers, whichever occurs first. Rates are generally indexed to SOFR, or an alternative variable rate, plus a fixed percentage that differs based on whether the financing is for a distributor or dealer. Rates may also vary based on the product that is financed.

The net amount of receivables financed for dealers and distributors under this arrangement with Red Iron during fiscal 2024, 2023, and 2022 was $2,613.3 million, $2,789.5 million, and $2,627.5 million, respectively. The total amount of net receivables outstanding under this arrangement with Red Iron as of October 31, 2024 and 2023 was $979.6 million and $1,019.0 million, respectively. The total amount of receivables due from Red Iron to the company as of October 31, 2024 and 2023 were $26.0 million and $34.4 million, respectively.

The net amount of receivables financed for dealers and distributors under the arrangements with HCFC and the other third-party financial institutions during fiscal 2024, 2023, and 2022 was $612.1 million, $545.4 million, and $633.5 million, respectively. As of October 31, 2024 and 2023, $272.2 million and $234.7 million, respectively, of receivables financed by HCFC and the other third-party financial institutions were outstanding.

Inventory Repurchase Agreements

The company has entered into a limited inventory repurchase agreement with Red Iron and HCFC under which the company has agreed to repurchase certain repossessed products, up to a maximum aggregate amount of $7.5 million in a calendar year.

The company has also entered into inventory repurchase agreements with the other third-party financial institutions under which the company has agreed to repurchase certain repossessed products. Under these agreements, for the fiscal years ended October 31, 2024 and 2023, the company was contingently liable to repurchase up to $29.5 million and $32.2 million of repossessed inventory, respectively. The company's financial exposure under these inventory repurchase agreements is limited to the difference between the amount paid to Red Iron, HCFC or other third-party financing institutions for repurchases of inventory and the amount received upon subsequent resale of the repossessed product. The company has repurchased immaterial amounts of inventory pursuant to such arrangements during the fiscal years ended October 31, 2024, 2023, and 2022.

End-User Financing

The company has agreements with third-party financing companies to provide financing options to end-customers throughout the world. The company has no material contingent liabilities for residual value or credit collection risk under these agreements with third-party financing companies. From time to time, the company enters into agreements where it provides recourse to third-party finance companies in the event of default by the end-customer for financing payments to the third-party finance company. The company's maximum exposure for credit collection for the fiscal years ended October 31, 2024 and 2023 was $2.9 million and $5.2 million, respectively.

Purchase Commitments

As of October 31, 2024, the company had $22.3 million of noncancelable purchase commitments with certain of the company's suppliers for commodities as part of the normal course of business. Additionally, associated with the Tornado asset acquisition described in Note 2, *Acquisitions and Divestitures*, the company has entered into a minimum purchase arrangement for a total of approximately $32.0 million of inventory through fiscal 2025. As of October 31, 2024, the company did not have material noncancelable purchase commitments related to capital expenditures for renovation and expansion efforts at the company's facilities and other property, plant and equipment.

Litigation

From time to time, the company is party to litigation in the ordinary course of business. Such matters are generally subject to uncertainties and to outcomes that are not predictable with assurance and that may not be known for extended periods of time. Litigation occasionally involves claims for punitive, as well as compensatory, damages arising out of the use of the company's products. Although the company is self-insured to some extent, the company maintains insurance against certain product liability losses. The company is also subject to litigation and administrative and judicial proceedings with respect to claims involving asbestos and the discharge of hazardous substances into the environment. Some of these claims assert damages and liability for personal injury, remedial investigations or clean-up and other costs and damages. The company is also occasionally involved in commercial disputes, employment disputes, and patent litigation cases in which it is asserting or defending against patent infringement claims. To prevent possible infringement of the company's patents by others, the company periodically reviews competitors' products. To avoid potential liability with respect to others' patents, the company reviews certain patents issued by the U.S. Patent and Trademark Office and foreign patent offices. The company believes these activities help minimize its risk of being a defendant in patent infringement litigation.

The company records a liability in its Consolidated Financial Statements for costs related to claims, including future legal costs, settlements, and judgments, where the company has assessed that a loss is probable and an amount can be reasonably estimated. If the reasonable estimate of a probable loss is a range, the company records the most probable estimate of the loss or the minimum amount when no amount within the range is a better estimate than any other amount. The company discloses a contingent liability even if the liability is not probable or the amount is not estimable, or both, if there is a reasonable possibility that a material loss may have been incurred. In the opinion of management, the amount of liability, if any, with respect to these matters, individually or in the aggregate, will not materially affect the company's consolidated results of operations, financial position, or cash flows. In situations where the company receives, or expects to receive, a favorable ruling related to a litigation settlement, the company follows the accounting standards codification guidance for gain contingencies. The company does not allow for the recognition of a gain contingency within its Consolidated Financial Statements prior to the settlement of the underlying events or contingencies associated with the gain contingency. As a result, the consideration related to a gain contingency is recorded in the Consolidated Financial Statements during the period in which all underlying events or contingencies are resolved and the gain is realized.

12 Leases

The company enters into contracts that are, or contain, operating lease agreements for certain property, plant, or equipment assets utilized in the normal course of business, such as buildings for manufacturing facilities, office space, distribution centers, and warehouse facilities; land for product testing sites; machinery and equipment for research and development activities, manufacturing and assembly processes, and administrative tasks; and vehicles for sales, service, marketing, and distribution activities. Contracts that explicitly or implicitly relate to property, plant, and equipment are assessed at inception to determine if the contract is, or contains, a lease. Such contracts for operating lease agreements convey the company's right to direct the use of, and obtain substantially all of the economic benefits from, an identified asset for a defined period of time in exchange for consideration.

The lease term begins and is determined upon lease commencement, which is the point in time when the company takes possession of the identified asset, and includes all non-cancelable periods. The lease term may also include options to extend or terminate the lease when it is reasonably certain that such options will be exercised after considering all relevant economic and financial factors. Options to extend or terminate a lease are generally exercisable at the company's sole discretion, subject to any required minimum notification period and/or other contractual terms as defined within the respective lease agreement, as applicable. The company's renewal options generally range from extended terms of two to ten years. Certain leases also include options to purchase the identified asset. Lease expense for the company's operating leases is recognized on a straight-line basis over the lease term and is recorded in cost of sales or selling, general and administrative expense within the Consolidated Statements of Earnings depending on the nature and use of the identified asset underlying the respective operating lease arrangement. The company does not recognize right-of-use assets and lease liabilities, but does recognize expense on a straight-line basis, for short-term operating leases which have a lease term of 12 months or less and do not include an option to purchase the underlying asset.

Lease payments are determined at lease commencement and represent fixed lease payments as defined within the respective lease agreement or, in the case of certain lease agreements, variable lease payments that are measured as of the lease commencement date based on the prevailing index or market rate. Future adjustments to variable lease payments are defined and scheduled within the respective lease agreement and are determined based upon the prevailing market or index rate at the time of the adjustment relative to the market or index rate determined at lease commencement. Certain other lease agreements contain variable lease payments that are determined based upon actual utilization of the identified asset. Such future adjustments to variable lease payments and variable lease payments based upon actual utilization of the identified asset are not included within the determination of lease payments at commencement but rather, are recorded as variable lease expense in the period in which the variable lease cost is incurred. Additionally, the company's operating leases generally do not include material residual value guarantees. The company has operating leases with both lease components and non-lease components. For all underlying asset classes, the company accounts for lease components separately from non-lease components based on the relative market value of each component. Non-lease components typically consist of common area maintenance, utilities, and/or other repairs and maintenance services. The costs related to non-lease components are not included within the determination of lease payments at commencement.

Right-of-use assets represent the company's right to use an underlying asset throughout the lease term and lease liabilities represent the company's obligation to make lease payments arising from the lease agreement. The company accounts for operating lease liabilities at lease commencement and on an ongoing basis as the present value of the minimum remaining lease payments under the respective lease term. Minimum remaining lease payments are discounted to present value based on the rate implicit in the operating lease agreement or the estimated incremental borrowing rate at lease commencement if the rate implicit in the lease is not readily determinable. Generally, the estimated incremental borrowing rate is used as the rate implicit in the lease is not readily determinable. The estimated incremental borrowing rate represents the rate of interest that the company would have to pay to borrow on a general and unsecured collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. The company determines the estimated incremental borrowing rate at lease commencement based on available information at such time, including lease term, lease currency, and geographical market. Right-of-use assets are measured as the amount of the corresponding operating lease liability for the respective operating lease agreement, adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentives received, unamortized initial direct costs, and impairment of the operating lease right-of-use asset, as applicable.

The following table presents the lease expense incurred on the company's operating, short-term, and variable leases (dollars in millions):

Fiscal Year Ended October 31	2024	2023	2022
Operating lease expense	$ 36.1	$ 24.0	$ 22.6
Short-term lease expense	4.3	4.5	4.5
Variable lease expense	0.2	—	—
Total lease expense	$ 40.6	$ 28.5	$ 27.1

The following table presents supplemental cash flow information related to the company's operating leases (dollars in millions):

Fiscal Year Ended October 31	2024	2023	2022
Right-of-use assets obtained in exchange for lease obligations	$ 7.6	$ 67.6	$ 27.0
Operating cash flows for amounts included in the measurement of lease liabilities	$ 25.8	$ 20.9	$ 19.2

The following table presents other lease information related to the company's operating leases as of October 31, 2024 and October 31, 2023:

	October 31, 2024	October 31, 2023
Weighted-average remaining lease term of operating leases in years	8.8	9.3
Weighted-average discount rate of operating leases	5.00 %	4.83 %

The following table reconciles the total undiscounted future cash flows based on the anticipated future minimum operating lease payments by fiscal year for the company's operating leases to the present value of operating lease liabilities recorded within the Consolidated Balance Sheets as of October 31, 2024 (dollars in millions):

	October 31, 2024
2025	$ 25.1
2026	19.2
2027	15.6
2028	13.2
2029	10.3
Thereafter	60.3
Total future minimum operating lease payments	143.7
Less: imputed interest	24.3
Present value of operating lease liabilities	$ 119.4

13 Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

The company is exposed to foreign currency exchange rate risk arising from transactions in the normal course of business, such as sales to third-party customers, sales and loans to wholly-owned foreign subsidiaries, costs associated with foreign plant operations, and purchases from suppliers. The company's primary currency exchange rate exposures are with the Euro, the Australian dollar, the Canadian dollar, the British pound, the Mexican peso, the Japanese yen, the Chinese renminbi, and the Romanian new leu against the U.S. dollar, as well as the Romanian new leu against the euro.

To reduce its exposure to foreign currency exchange rate risk, the company actively manages the exposure of its foreign currency exchange rate risk by entering into various derivative instruments to hedge against such risk, authorized under a company policy that places controls on these hedging activities, with counterparties that are highly rated financial institutions. The company's policy does not allow the use of derivative instruments for trading or speculative purposes. The company has also made an accounting policy election to use the portfolio exception with respect to measuring counterparty credit risk for derivative instruments and to measure the fair value of a portfolio of financial assets and financial liabilities on the basis of the net open risk position with each counterparty.

The company's hedging activities primarily involve the use of forward currency contracts to hedge most foreign currency transactions, including projected sales and purchases denominated in foreign currencies. The company uses derivative instruments only in an attempt to limit underlying exposure from foreign currency exchange rate fluctuations and to minimize earnings and cash flow volatility associated with foreign currency exchange rate fluctuations. Decisions on whether to use such derivative instruments are primarily based on the amount of exposure to the currency involved and an assessment of the near-term market value for each currency. The company recognizes all derivative instruments at fair value on the Consolidated Balance Sheets as either assets or liabilities. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as a cash flow hedging instrument.

Cash Flow Hedging Instruments

The company formally documents relationships between cash flow hedging instruments and the related hedged transactions, as well as its risk-management objective and strategy for undertaking cash flow hedging instruments. This process includes linking all cash flow hedging instruments to the projected transactions, such as sales to third-parties and costs associated with foreign plant operations, including purchases from suppliers. At the cash flow hedge's inception and on an ongoing basis, the company formally assesses whether the cash flow hedging instruments have been highly effective in offsetting changes in the cash flows of the hedged transactions and whether those cash flow hedging instruments may be expected to remain highly effective in future periods. Changes in the fair values of the spot rate component of outstanding, highly effective cash flow hedging instruments included in the assessment of hedge effectiveness are recorded in other comprehensive income within AOCL on the Consolidated Balance Sheets and are subsequently reclassified to net earnings within the Consolidated Statements of Earnings during the same period in which the cash flows of the underlying hedged transaction affect net earnings. Changes in the fair values of hedge components excluded from the assessment of effectiveness are recognized immediately in net earnings under the mark-to-market approach. The classification of gains or losses recognized on cash flow hedging instruments and excluded components within the Consolidated Statements of Earnings is the same as that of the underlying exposure. Results of cash flow hedging instruments, and the related excluded components, of sales and costs associated with foreign plant operations, including purchases from suppliers, are recorded in net sales and cost of sales, respectively. The maximum amount of time the company hedges its exposure to the variability in future cash flows for projected trade sales and purchases is two years.

When it is determined that a derivative instrument is not, or has ceased to be, highly effective as a cash flow hedge, the company discontinues cash flow hedge accounting prospectively. The gain or loss on the dedesignated derivative instrument remains in AOCL and is reclassified to net earnings within the same Consolidated Statements of Earnings line item as the underlying exposure when the projected transaction affects net earnings. When the company discontinues cash flow hedge accounting because it is no longer probable, but it is still reasonably possible that the projected transaction will occur by the end of the originally expected period or within an additional two-month period of time thereafter, the gain or loss on the derivative instrument remains in AOCL and is reclassified to net earnings within the same Consolidated Statements of Earnings line item as the underlying exposure when the projected transaction affects net earnings. However, if it is probable that a projected transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were in AOCL are immediately recognized in net earnings within other income, net in the Consolidated Statements of Earnings. In all situations in which cash flow hedge accounting is discontinued and the derivative instrument remains outstanding, the company carries the derivative instrument at its fair value on the Consolidated Balance Sheets, recognizing future changes in the fair value within other income, net in the Consolidated Statements of Earnings. As of October 31, 2024, the notional amount outstanding of forward currency contracts designated as cash flow hedging instruments was $345.4 million.

Derivatives Not Designated as Cash Flow Hedging Instruments

The company also enters into foreign currency contracts that include forward currency contracts to mitigate the remeasurement of specific assets and liabilities on the Consolidated Balance Sheets. These contracts are not designated as cash flow hedging instruments. Accordingly, changes in the fair value of hedges of recorded balance sheet positions, such as cash, receivables, payables, intercompany notes, and other various contractual claims to pay or receive foreign currencies other than the functional currency, are recognized immediately in other income, net, on the Consolidated Statements of Earnings together with the transaction gain or loss from the hedged balance sheet position.

The following table presents the fair value and location of the company's derivative instruments on the Consolidated Balance Sheets (dollars in millions):

Fair Value as of October 31	**2024**	**2023**
Derivative assets:		
Derivatives designated as cash flow hedging instruments:		
Prepaid expenses and other current assets		
Forward currency contracts	$ 2.0	$ 13.7
Derivatives not designated as cash flow hedging instruments:		
Prepaid expenses and other current assets		
Forward currency contracts	0.2	3.1
Total derivative assets	$ 2.2	$ 16.8
Derivative liabilities:		
Derivatives designated as cash flow hedging instruments:		
Accrued liabilities		
Forward currency contracts	$ 4.7	$ —
Derivatives not designated as cash flow hedging instruments:		
Accrued liabilities		
Forward currency contracts	0.8	—
Total derivative liabilities	$ 5.5	$ —

The company entered into an International Swap Dealers Association ("ISDA") Master Agreement with each counterparty that permits the net settlement of amounts owed under their respective contracts. The ISDA Master Agreement is an industry standardized contract that governs all derivative contracts entered into between the company and the respective counterparty. Under these master netting agreements, net settlement generally permits the company or the counterparty to determine the net amount payable or receivable for contracts due on the same date or in the same currency for similar types of derivative transactions. The company records the fair value of its derivative instruments at the net amount on its Consolidated Balance Sheets.

The following table presents the effects of the master netting arrangements on the fair value of the company's derivative instruments that are recorded on the Consolidated Balance Sheets (dollars in millions):

Fair Value as of October 31	**2024**	**2023**
Derivative assets:		
Forward currency contracts:		
Gross amount of derivative assets	$ 2.9	$ 16.8
Derivative liabilities offsetting derivative assets	0.7	—
Net amount of derivative assets	$ 2.2	$ 16.8
Derivative liabilities:		
Forward currency contracts:		
Gross amount of derivative liabilities	$ 5.5	$ —
Derivative assets offsetting derivative liabilities	—	—
Net amount of derivative liabilities	$ 5.5	$ —

The following table presents the impact and location of the amounts reclassified from AOCL into net earnings on the Consolidated Statements of Earnings and the impact of derivative instruments on the Consolidated Statements of Comprehensive Income for the company's derivatives designated as cash flow hedging instruments (dollars in millions):

	Gain Reclassified from AOCL into Income		**(Loss) Gain Recognized in OCI on Derivatives**	
Fiscal Years Ended October 31	**2024**	**2023**	**2024**	**2023**
Derivatives designated as cash flow hedging instruments:				
Forward currency contracts:				
Net sales	$ 2.2	$ 10.8	$ (6.5)	$ (12.9)
Cost of sales	3.0	4.5	(10.3)	0.1
Total derivatives designated as cash flow hedging instruments	$ 5.2	$ 15.3	$ (16.8)	$ (12.8)

During fiscal 2024 and 2023, the company recognized immaterial gains and losses, respectively, within other income, net on the Consolidated Statement of Earnings due to the discontinuance of cash flow hedge accounting on certain forward currency contracts designated as cash flow hedging instruments. As of October 31, 2024, the company expects to reclassify approximately $4.7 million of losses from AOCL to earnings during the next twelve months.

The following tables present the impact and location of derivative instruments on the Consolidated Statements of Earnings for the company's derivatives designated as cash flow hedging instruments and the related components excluded from hedge effectiveness testing (dollars in millions):

	Gain Recognized in Earnings on Cash Flow Hedging Instruments	
Fiscal Year Ended October 31, 2024	**Net Sales**	**Cost of Sales**
Total Consolidated Statements of Earnings income (expense) amounts in which the effects of cash flow hedging instruments are recorded	$ 4,583.8	$ (3,034.5)
Gain on derivatives designated as cash flow hedging instruments:		
Forward currency contracts:		
Amount of gain reclassified from AOCL into earnings	2.2	3.0
Gain on components excluded from effectiveness testing recognized in earnings based on changes in fair value	$ 2.5	$ 3.6

	Gain Recognized in Earnings on Cash Flow Hedging Instruments	
Fiscal Year Ended October 31, 2023	**Net Sales**	**Cost of Sales**
Total Consolidated Statements of Earnings income (expense) amounts in which the effects of cash flow hedging instruments are recorded	$ 4,553.2	$ (2,975.6)
Gain on derivatives designated as cash flow hedging instruments:		
Forward currency contracts:		
Amount of gain reclassified from AOCL into earnings	10.8	4.5
Gain on components excluded from effectiveness testing recognized in earnings based on changes in fair value	$ 2.2	$ 2.6

The following table presents the impact and location of derivative instruments on the Consolidated Statements of Earnings for the company's derivatives not designated as cash flow hedging instruments (dollars in millions):

Fiscal Years Ended October 31	**2024**	**2023**
Loss on derivative instruments not designated as cash flow hedging instruments:		
Forward currency contracts:		
Other expense, net	$ (8.0)	$ (6.3)
Total loss on derivatives not designated as cash flow hedging instruments	$ (8.0)	$ (6.3)

14 Fair Value Measurements

The company categorizes its assets and liabilities into one of three levels based on the assumptions (inputs) used in valuing the asset or liability. Estimates of fair value for financial assets and financial liabilities are based on the framework established in the accounting guidance for fair value measurements. The framework defines fair value, provides guidance for measuring fair value, and requires certain disclosures. The framework discusses valuation techniques such as the market approach (comparable market prices), the income approach (present value of future income or cash flows), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The framework utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs reflecting management's assumptions about the inputs used in pricing the asset or liability.

Recurring Fair Value Measurements

The company's derivative instruments consist of forward currency contracts that are measured at fair value on a recurring basis. The fair value of such forward currency contracts is determined based on observable market transactions of forward currency prices and spot currency rates as of the reporting date.

The following tables present, by level within the fair value hierarchy, the company's financial assets and liabilities that are measured at fair value on a recurring basis as of October 31, 2024 and 2023, according to the valuation technique utilized to determine their fair values (dollars in millions):

		Fair Value Measurements Using Inputs Considered as:		
October 31, 2024	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Forward currency contracts	$ 2.2	$ —	$ 2.2	$ —
Total assets	$ 2.2	$ —	$ 2.2	$ —
Liabilities:				
Forward currency contracts	$ 5.5	$ —	$ 5.5	$ —
Total liabilities	$ 5.5	$ —	$ 5.5	$ —

		Fair Value Measurements Using Inputs Considered as:		
October 31, 2023	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Forward currency contracts	$ 16.8	$ —	$ 16.8	$ —
Total assets	$ 16.8	$ —	$ 16.8	$ —
Liabilities:				
Forward currency contracts	$ —	$ —	$ —	$ —
Total liabilities	$ —	$ —	$ —	$ —

Nonrecurring Fair Value Measurements

The company measures certain assets and liabilities at fair value on a non-recurring basis. Assets and liabilities that are measured at fair value on a nonrecurring basis include long-lived assets, goodwill, and indefinite-lived intangible assets, which would generally be recorded at fair value as a result of an impairment charge. For additional information regarding impairment related fair value measurements, refer to Note 1, *Summary of Significant Accounting Policies and Related Data*. Assets acquired and liabilities assumed as part of a business combination are also measured at fair value on a non-recurring basis during the measurement period allowed by the accounting standards codification guidance for business combinations when applicable. Alternatively, under a cost accumulation model, the company measures the fair values of net assets acquired as part of an asset acquisition before allocating the cost of the asset acquisition to the net assets acquired on the basis of their relative fair values. For additional information on the company's business combinations and asset acquisitions and the related non-recurring fair value measurement of the assets acquired and liabilities assumed, refer to Note 2, *Acquisitions and Divestitures.*

Other Fair Value Disclosures

The carrying values of the company's short-term financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and short-term debt, including current maturities of long-term debt, when applicable, approximate their fair values due to their short-term nature.

As of October 31, 2024 and 2023, the company's long-term debt included $524.2 million and $524.2 million, respectively, of gross fixed-rate debt that is not subject to variable interest rate fluctuations. The gross fair value of such long-term debt is determined using Level 2 inputs by discounting the projected cash flows based on quoted market rates at which similar amounts of debt could currently be borrowed. As of October 31, 2024, the estimated gross fair value of long-term debt with fixed interest rates was $520.4 million compared to its gross carrying amount of $524.2 million. As of October 31, 2023, the estimated gross fair value of long-term debt with fixed interest rates was $478.2 million compared to its gross carrying amount of $524.2 million. For additional information regarding long-term debt with fixed interest rates, refer to Note 6, *Indebtedness*.

15 Employee Retirement Plans

Defined Contribution Plan

The company maintains The Toro Company Retirement Plan for eligible employees. The company's expenses under this plan, which include costs related to matching contributions and discretionary retirement fund contributions, as applicable, were $32.0 million, $38.1 million, and $35.3 million for the fiscal years ended October 31, 2024, 2023, and 2022, respectively.

Defined Benefit Plans

The company has a defined benefit pension plan covering certain employees in the United Kingdom ("defined benefit retirement plan"). The projected and accumulated benefit obligation of the defined benefit retirement plan was $19.6 million and $18.3 million as of October 31, 2024 and 2023, respectively. The fair value of the defined benefit retirement plan assets as of October 31, 2024 and 2023 was $20.7 million and $17.6 million, respectively. The net funded status of the defined benefit retirement plan was fully funded as of October 31, 2024 and was underfunded at $0.7 million as of October 31, 2023.

Service costs of the defined benefit retirement plans are presented in selling, general and administrative expense within the Consolidated Statements of Earnings. Non-service cost components of net periodic benefit cost (income), including realized gains or losses as a result of changes in actuarial valuation assumptions, are presented in other income, net within the Consolidated Statements of Earnings. The company recognized expense of $0.4 million and $0.2 million for the fiscal years ended October 31, 2024 and 2023, respectively, and recognized income of $0.2 million for the fiscal year ended October 31, 2022.

The company has omitted the remaining disclosures for the defined benefit retirement plan as the company deems this defined benefit retirement plan to be immaterial to its Consolidated Financial Statements.

16 Subsequent Events

During the first quarter of fiscal 2025, to better align our organization structure with our long-term strategic priorities, the company eliminated approximately 300 salaried roles globally. Affected employees were provided severance and termination benefits. This action was immaterial to the company's Consolidated Financial Statements.

The company has evaluated all additional subsequent events and concluded that no other subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The company maintains disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to provide reasonable assurance that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating its disclosure controls and procedures, the company recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply judgment in evaluating the cost-benefit relationship of possible internal controls.

The company's management evaluated, with the participation of the company's Chairman of the Board, President and Chief Executive Officer and Vice President, Chief Financial Officer, the effectiveness of the design and operation of the company's disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, the company's Chairman of the Board, President and Chief Executive Officer and Vice President, Chief Financial Officer concluded that the company's disclosure controls and procedures were effective as of the end of such period to provide reasonable assurance that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information relating to the company and its consolidated subsidiaries is accumulated and communicated to management, including the Chairman of the Board, President and Chief Executive Officer and Vice President, Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control over Financial Reporting

The company's management report on internal control over financial reporting is included in this Annual Report on Form 10-K within Part II, Item 8, "Financial Statements and Supplementary Data," under the caption "Management's Report on Internal Control over Financial Reporting."

Attestation Report of the Independent Registered Public Accounting Firm

The report of KPMG LLP, the company's independent registered public accounting firm, regarding the effectiveness of the company's internal control over financial reporting is included in this Annual Report on Form 10-K within Part II, Item 8, "Financial Statements and Supplementary Data," under the caption "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control over Financial Reporting

There was no change in the company's internal control over financial reporting that occurred during the fourth quarter of fiscal 2024 that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Rule 10b5-1 Plan and Non-Rule 10b5-1 Trading Arrangement Adoptions, Terminations, and Modifications

During the company’s fourth quarter ended October 31, 2024, none of its directors or “officers” (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of SEC Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information on executive officers required by this item is incorporated by reference from "Information About Our Executive Officers" in Part I of this Annual Report on Form 10-K. Additional information on certain executive officers and other information required by this item is incorporated by reference to information to be contained under the captions "Proposal One — Election of Directors — Information About Director Nominees and Continuing Directors," "Corporate Governance — Code of Conduct and Code of Ethics for our CEO and Senior Financial Personnel," "Corporate Governance — Board Committees," and “Stock Ownership — Delinquent Section 16(a) Reports” in the company's proxy statement for its 2025 Annual Meeting of Shareholders to be filed with the SEC.

During the fourth quarter of fiscal 2024, the company did not make any material changes to the procedures by which shareholders may recommend nominees to the Board of Directors, as described in the company's proxy statement for its 2024 Annual Meeting of Shareholders. The company has a Code of Ethics for its CEO and Senior Financial Personnel, a copy of which is posted on the company's website at www.thetorocompany.com (select the "Investors" link, then the "Corporate Governance" link, then the "Code of Conduct and Ethics" link). The company intends to satisfy the disclosure requirements of Item 5.05 of Form 8-K and applicable NYSE rules regarding amendments to or waivers from any provision of its Code of Ethics, as applicable, by posting such information on its website at www.thetorocompany.com (select the "Investors" link, then the "Corporate Governance" link, then the "Code of Conduct and Ethics" link).

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to information to be contained under the captions "Director Compensation", "Compensation Discussion and Analysis" and "Executive Compensation" in the company's proxy statement for its 2025 Annual Meeting of Shareholders to be filed with the SEC.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference to information to be contained under the captions "Stock Ownership" and "Equity Compensation Plan Information" in the company's proxy statement for its 2025 Annual Meeting of Shareholders to be filed with the SEC.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference to information to be contained under the caption "Corporate Governance — Director Independence," "Corporate Governance — Board Committees" and "Corporate Governance — Related Person Transactions and Policies and Procedures Regarding Related Person Transactions" in the company's proxy statement for its 2025 Annual Meeting of Shareholders to be filed with the SEC.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference to information to be contained under the captions "Proposal Two — Ratification of Selection of Independent Registered Public Accounting Firm — Audit, Audit-Related, Tax and Other Fees" and "Proposal Two — Ratification of Selection of Independent Registered Public Accounting Firm — Pre-Approval Policies and Procedures" in the company's proxy statement for its 2025 Annual Meeting of Shareholders to be filed with the SEC.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

   The following Consolidated Financial Statements of The Toro Company and its consolidated subsidiaries are included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K:

   Management's Report on Internal Control over Financial Reporting
   Report of Independent Registered Public Accounting Firm*
   Consolidated Statements of Earnings for the fiscal years ended October 31, 2024, 2023, and 2022
   Consolidated Statements of Comprehensive Income for the fiscal years ended October 31, 2024, 2023, and 2022
   Consolidated Balance Sheets as of October 31, 2024 and 2023
   Consolidated Statements of Cash Flows for the fiscal years ended October 31, 2024, 2023, and 2022
   Consolidated Statements of Stockholders' Equity for the fiscal years ended October 31, 2024, 2023, and 2022
   Notes to Consolidated Financial Statements

   *KPMG LLP, Minneapolis, MN, PCAOB Firm ID No. 185.

2. List of Financial Statement Schedules

   All financial statement schedules have been omitted because the required information is either inapplicable, immaterial, or the information is presented in the Consolidated Financial Statements or related Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

3. List of Exhibits

   The following exhibits are incorporated herein by reference or are filed or furnished with this Annual Report on Form 10-K as indicated below:

Exhibit Number	Description
2.1 (1)	Agreement to Form Joint Venture dated August 12, 2009 by and between The Toro Company and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 2.1 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).**
2.2 (1)	First Amendment to Agreement to Form Joint Venture dated June 6, 2012 by and between The Toro Company and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 2.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).**
2.3 (1)	Second Amendment to Agreement to Form Joint Venture dated November 29, 2016 by and between The Toro Company and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 2.3 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).**
2.4 (1)	Third Amendment to Agreement to Form Joint Venture effective as of December 20, 2019 by and between The Toro Company and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 2.2 to Registrant’s Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2020, Commission File No. 1-8649).
2.5 (1)	Fourth Amendment to Agreement to Form Joint Venture dated as of March 26, 2021 and effective as of March 2, 2020 by and between The Toro Company and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 2.2 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2021, Commission File No. 1-8649).
2.6 (1)	Fifth Amendment to Agreement to Form Joint Venture dated and effective as of June 10, 2022 by and between The Toro Company and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 2.6 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2022, Commission File No. 1-8649).
2.7 (1)	Limited Liability Company Agreement of Red Iron Acceptance, LLC dated August 12, 2009 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (incorporated by reference to Exhibit 2.7 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).**
2.8	Amendment No. 1 to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated May 31, 2011 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (incorporated by reference to Exhibit 2.4 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2012, Commission File No. 1-8649).**
2.9 (1)	Second Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated June 6, 2012 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (incorporated by reference to Exhibit 2.9 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).**
2.10 (1)	Third Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated November 29, 2016 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (incorporated by reference to Exhibit 2.10 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).**
2.11	Fourth Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC dated as of July 17, 2019 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (incorporated by reference to Exhibit 2.9 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2020, Commission File No. 1-8649).

2.12	Fifth Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC effective as of December 20, 2019 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (incorporated by reference to Exhibit 2.3 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2020, Commission File No. 1-8649).
2.13	Sixth Amendment to Limited Liability Company Agreement of Red Iron Acceptance, LLC effective as of March 10, 2022 by and between Red Iron Holding Corporation and TCFIF Joint Venture I, LLC (incorporated by reference to Exhibit 2.13 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).
3.1 and 4.1	Restated Certificate of Incorporation of The Toro Company (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 18, 2008, Commission File No. 1-8649).
3.2 and 4.2	Certificate of Amendment to Restated Certificate of Incorporation of The Toro Company (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 13, 2013, Commission File No. 1-8649).
3.3 and 4.3	Amended and Restated Bylaws of The Toro Company (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on May 30, 2023, Commission File No. 1-8649).
4.4	Specimen Form of Common Stock Certificate (incorporated by reference to Exhibit 4(c) to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended August 1, 2008, Commission File No. 1-8649).
4.5	Description of Common Stock of The Toro Company (incorporated by reference to Exhibit 4.5 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).
4.6	Indenture dated as of January 31, 1997 between Registrant and First National Trust Association, as Trustee, relating to The Toro Company's 7.80% Debentures due June 15, 2027 (incorporated by reference to Exhibit 4(a) to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 27, 1997, Commission File No. 1-8649). (Filed on paper - hyperlink not required pursuant to Rule 105 of Regulation S-T)
4.7	Indenture dated as of April 20, 2007, between Registrant and The Bank of New York Trust Company, N.A., as Trustee, relating to The Toro Company's 6.625% Notes due May 1, 2037 (incorporated by reference to Exhibit 4.3 to Registrant's Registration Statement on Form S-3 as filed with the Securities and Exchange Commission on April 23, 2007, Registration No. 333-142282).
4.8	First Supplemental Indenture dated as of April 26, 2007, between Registrant and The Bank of New York Trust Company, N.A., as Trustee, relating to The Toro Company's 6.625% Notes due May 1, 2037 (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 26, 2007, Commission File No. 1-8649).
4.9	Form of The Toro Company 6.625% Note due May 1, 2037 (incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 26, 2007, Commission File No. 1-8649).
10.1	The Toro Company 2022 Equity and Incentive Plan (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649).*
10.2	The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.1 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649).*
10.3	Amendment No. 1 to The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as Amended and Restated, dated as of December 3, 2019 (incorporated by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2019, Commission File No. 1-8649).*
10.4	The Toro Company Supplemental Benefit Plan, Amended and Restated Effective January 1, 2017 (incorporated by reference to Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended February 3, 2017, Commission File No. 1-8649).*
10.5	The Toro Company Deferred Compensation Plan, Amended and Restated Effective January 1, 2017 (incorporated by reference to Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended February 3, 2017, Commission File No. 1-8649).*
10.6	The Toro Company Deferred Compensation Plan for Officers, Amended and Restated Effective January 1, 2017 (incorporated by reference to Exhibit 10.10 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended February 3, 2017, Commission File No. 1-8649).*
10.7	The Toro Company Deferred Compensation Plan for Non-Employee Directors, Amended and Restated Effective January 1, 2017 (incorporated by reference to Exhibit 10.11 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended February 3, 2017, Commission File No. 1-8649).*
10.8	Form of Nonqualified Stock Option Agreement for use with The Toro Company 2022 Equity and Incentive Plan (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649).*
10.9	Form of Nonemployee Director Stock Option Agreement for use with The Toro Company 2022 Equity and Incentive Plan (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649).*
10.10	Form of Restricted Stock Unit Award Agreement for use with The Toro Company 2022 Equity and Incentive Plan (incorporated by reference to Exhibit 10.4 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649).*
10.11	Form of Performance Share Award Agreement for use with The Toro Company 2022 Equity and Incentive Plan (incorporated by reference to Exhibit 10.5 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649).*
10.12	Form of Annual Performance Award Agreement for use with The Toro Company 2022 Equity and Incentive Plan (incorporated by reference to Exhibit 10.6 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 16, 2022, Commission File No. 1-8649).*
10.13	Form of Nonemployee Director Stock Option Agreement between The Toro Company and its Non-Employee Directors under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.11 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649).*
10.14	Form of Nonqualified Stock Option Agreement between The Toro Company and its officers and other employees under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649).*
10.15	Form of Performance Share Award Agreement between The Toro Company and its officers and other employees under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.17 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649).*

10.16	Form of Annual Performance Award Agreement between The Toro Company and its officers and other employees under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.18 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649).*
10.17	Form of Restricted Stock Award Agreement between The Toro Company and its officers and other employees under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.19 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649).*
10.18	Form of Restricted Stock Unit Award Agreement between The Toro Company and its officers and other employees under The Toro Company Amended and Restated 2010 Equity and Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.21 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2016, Commission File No. 1-8649).*
10.19	Form of Indemnification Agreement with the members of the Board of Directors (incorporated by reference to Exhibit 10(u) to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2006, Commission File No. 1-8649).*
10.20	The Toro Company Change in Control Severance Compensation Policy and attached Form of Release (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 21, 2011, Commission File No. 1-8649).*
10.21	Offer Letter dated August 18, 2015 between The Toro Company and Richard M. Olson (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 19, 2015, Commission File No. 1-8649).*
10.22	Offer Letter dated July 19, 2016 between The Toro Company and Richard M. Olson (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on July 19, 2016, Commission File No. 1-8649).*
10.23	Offer Letter dated February 13, 2023 between The Toro Company and Angela C. Drake (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on February 14, 2023, Commission File No. 1-8649).*
10.24	Second Amended and Restated Credit Agreement dated as of October 2, 2024, by and among The Toro Company, Toro Luxembourg S.A.R.L., and Certain Other Subsidiaries, as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, U.S. Bank National Association and Wells Fargo Bank, National Association, as Co-Syndication Agents, and BMO Bank, N.A., HSBC Bank USA, National Association, and PNC Bank, National Association, as Co-Documentation Agents, and The Other Lenders Party Thereto (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on October 3, 2024, Commission File No. 1-8649).
10.25	Term Loan Credit Agreement dated as of April 27, 2022, by and among The Toro Company, as Borrower, Bank of America, N.A., as Administrative Agent, Wells Fargo Bank, National Association and U.S. Bank National Association, as Co-Syndication Agents and the Other Lenders Party Thereto (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 28, 2022, Commission File No. 1-8649).
10.26	Amendment No. 1 to Term Loan Credit Agreement dated as of September 22, 2023, by and among The Toro Company, each of the Lenders Party Thereto, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.29 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).
10.27	Note Purchase Agreement, dated as of April 30, 2019, by and among The Toro Company and the Purchasers listed on the Purchaser Schedule Thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 30, 2019, Commission File No. 1-8649).
10.28	Second Amendment, dated as of June 30, 2022, to Note Purchase Agreement, dated as of April 30, 2019, by and among The Toro Company and each of the Institutions a Signatory Thereto (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 30, 2022, Commission File No. 1-8649).
10.29	Note Purchase Agreement, dated as of June 30, 2022, by and among The Toro Company and the Purchasers Listed on the Purchaser Schedule Thereto and Form of 3.97% Senior Note due June 30, 2032 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 30, 2022, Commission File No. 1-8649).
10.30 (1)	Credit and Security Agreement dated as of August 12, 2009 by and between Red Iron Acceptance, LLC and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 10.33 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).
10.31 (1)	First Amendment to Credit and Security Agreement dated as of June 6, 2012 by and between Red Iron Acceptance, LLC and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 10.34 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).
10.32	Second Amendment to Credit and Security Agreement dated as of November 29, 2016 by and between Red Iron Acceptance, LLC and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on December 2, 2016, Commission File No. 1-8649).
10.33	Third Amendment to Credit and Security Agreement effective as of December 20, 2019 by and between Red Iron Acceptance, LLC and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2020, Commission File No. 1-8649).
10.34	Fourth Amendment to Credit and Security Agreement effective as of November 1, 2021 by and between Red Iron Acceptance, LLC and TCF Inventory Finance, Inc. (incorporated by reference to Exhibit 10.24 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2021, Commission File No. 1-8649).
10.35	Fifth Amendment to Credit and Security Agreement effective as of October 25, 2022 by and between Red Iron Acceptance, LLC and Huntington Distribution Finance, Inc. (previously known as TCF Inventory Finance, Inc.) (incorporated by reference to Exhibit 10.35 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2022, Commission File No. 1-8649).
10.36	Sixth Amendment to Credit and Security Agreement effective as of August 31, 2023 by and between Red Iron Acceptance, LLC and Huntington Distribution Finance, Inc. (previously known as TCF Inventory Finance, Inc.) (incorporated by reference to Exhibit 10.39 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649).
19	Insider Trading Policy (filed herewith).
21	Subsidiaries of Registrant (filed herewith).
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith).
24.1	Power of Attorney (filed herewith).
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002) (filed herewith).
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002) (filed herewith).

32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
97	Clawback Policy (incorporated by reference to Exhibit 97 to Registrant's Annual Report on Form 10-K for the fiscal year ended October 31, 2023, Commission File No. 1-8649)*.
101	The following financial information from The Toro Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2024, filed with the SEC on December 18, 2024, formatted in Inline eXtensible Business Reporting Language (Inline XBRL): (i) Consolidated Statements of Earnings for each of the fiscal years in the three-year period ended October 31, 2024, (ii) Consolidated Statements of Comprehensive Income for each of the fiscal years in the three-year period ended October 31, 2024, (iii) Consolidated Balance Sheets as of October 31, 2024 and 2023, (iv) Consolidated Statements of Cash Flows for each of the fiscal years in the three-year period ended October 31, 2024, (v) Consolidated Statements of Stockholders' Equity each of the fiscal years in the three-year period ended October 31, 2024, and (vi) Notes to Consolidated Financial Statements (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(1) Confidential portions of this exhibit have been redacted in compliance with Item 601(b)(10) of Regulation S-K.

* Management contract or compensatory plan or arrangement.

** All exhibits and schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. TTC will furnish the omitted exhibits and schedules to the Securities and Exchange Commission upon request by the Securities and Exchange Commission.

(b) Exhibits

See Item 15(a)(3) above.

(c) Financial Statement Schedules

See Item 15(a)(2) above.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE TORO COMPANY
(Registrant)

By: /s/ Angela C. Drake
Angela C. Drake
Vice President, Chief Financial Officer
*Attorney-in-Fact

Dated: December 18, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Richard M. Olson Richard M. Olson	Chairman of the Board, President and Chief Executive Officer and Director (principal executive officer), *Attorney-in-Fact	December 18, 2024
/s/ Angela C. Drake Angela C. Drake	Vice President, Chief Financial Officer (principal financial and accounting officer), *Attorney-in-Fact	December 18, 2024
* Dianne C. Craig	Director	
* Gary L. Ellis	Director	
* Eric P. Hansotia	Director	
* Jeffrey L. Harmening	Director	
* D. Christian Koch	Director	
* Joyce A. Mullen	Director	
* James C. O'Rourke	Director	
* Jill M. Pemberton	Director	

EXECUTIVE OFFICERS (as of January 1, 2025)

Richard M. Olson
Chairman of the Board,
President and Chief
Executive Officer

Jason P. Baab
Vice President,
Strategy, Corporate
Development and Sustainability

Kevin N. Carpenter
Vice President,
Global Operations and
Integrated Supply Chain

Amy E. Dahl
Vice President,
International

Angela C. Drake
Vice President and
Chief Financial Officer

Edric C. Funk
Group Vice President,
Golf, Grounds and Irrigation

Gregory S. Janey
Group Vice President,
Landscapes and Contractor

Peter D. Moeller
Group Vice President,
Underground and
Specialty Construction

Kurt D. Svendsen
Vice President,
Technology

Joanna M. Totsky
Vice President,
General Counsel and
Corporate Secretary

BOARD OF DIRECTORS

Dianne C. Craig
President, Lincoln
Ford Motor Company

Gary L. Ellis*
Retired, Executive Vice President
Medtronic plc

Eric P. Hansotia
Chairman, President and
Chief Executive Officer
AGCO Corporation

Jeffrey L. Harmening
Chairman and Chief
Executive Officer
General Mills, Inc.

D. Christian Koch
Chairman, President and
Chief Executive Officer
Carlisle Companies Incorporated

Joyce A. Mullen
President and
Chief Executive Officer
Insight Enterprises

Richard M. Olson
Chairman of the Board, President
and Chief Executive Officer
The Toro Company

James C. O'Rourke
Retired, President and
Chief Executive Officer
The Mosaic Company

Jill M. Pemberton
Chief Financial Officer,
North America
LVMH Moët Hennessy
Louis Vuitton

*Lead Independent Director

SHAREHOLDER INFORMATION

Shareholder Assistance
Communications concerning The Toro Company stock, including shareholder change of address, certificate replacement, share transfer requirements, the direct stock purchase plan, dividends, the dividend reinvestment plan and similar matters should be directed to our transfer agent at:

Broadridge Shareholder Services
c/o Broadridge Corporate Issuer Solutions
P.O. Box 1342
Brentwood, NY 11717-0718
1-844-956-0809 or 1-303-562-9697
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Investor Inquiries
Individual shareholders may direct any questions to invest@thetorocompany.com.

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