

# THE TORO COMPANY

Serving Customers Through Superior Innovation and Superior Customer Care

Investor Presentation

**The Toro Company To Acquire Charles Machine Works**

February 15, 2019



# SAFE HARBOR

- This presentation contains forward-looking statements regarding our proposed acquisition of The Charles Machine Works, Inc., our business, and future financial and operating results made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.
- Forward-looking statements are based on Toro's current assumptions and expectations of future events, and can be identified in this presentation by using words such as "to," "expect," "intend," "anticipate," "will," and similar expressions or future dates.
- Actual events and results may differ from those predicted, including as a result of delays in completing the transaction or not completing it at all; delays or failure by Toro in achieving expected synergies and EPS impact; integration challenges; business disruption due to the transaction; loss of key personnel; unanticipated liabilities or exposures; and general adverse business, economic or competitive conditions.
- Please also refer to the cautionary statement and risk factors in our most recent annual report on Form 10-K, subsequent quarterly reports on Form 10-Q, and other filings with the Securities and Exchange Commission.
- We do not have a duty to update our forward-looking statements.

# TRANSACTION SUMMARY



CHARLES MACHINE WORKS  
THE UNDERGROUND AUTHORITY

- The Toro Company to acquire Charles Machine Works (CMW) for \$700M
  - 8x EBITDA, inclusive of \$30M anticipated annual run-rate synergies
  - CY18E revenues of \$725M
  - Immediately accretive to EPS\*
  - Expected to close by the end of F'2019 Q3, subject to customary regulatory approvals
  - Financed with new debt
  
- Manufactures and distributes equipment and parts for the professional contractor in the underground construction market
  
- Portfolio includes market-leading Ditch Witch® brand
  - Invented the underground utility construction industry
  - Largest business within CMW portfolio
  
- Will strengthen our well-diversified portfolio of products and dramatically enhances our underground and specialty construction business



\*Excludes purchase accounting adjustments and transaction related expenses

# CHARLES MACHINE WORKS OVERVIEW

## Summary

- Portfolio of leading brands
  - Ditch Witch® , American Augers®, Subsite®, Trencor®, Hammerhead®, Radius®, MTI®
- Global network of world class dealers
- Founded in 1902; HQ Perry, OK
  - 2,100 global employees

## Production Footprint



## Key Products



# STRATEGIC RATIONALE

*GREAT BRANDS - GREAT PRODUCTS - GREAT CHANNELS*

- Strong underground construction brands
- Complements Toro's specialty construction portfolio
  - Best-in-class dealer network
  - Long-standing customer relationships
  - Breadth of product offerings
- Expands business in adjacent growth areas
  - Infrastructure (water, wastewater)
  - Telecom (fiber optics, 5G)
  - Utilities (gas, electricity)
- Well aligned with Toro's values and performance-based culture
  - Focus on innovation
  - Importance of long-term relationships
  - Commitment to community
- Anticipate significant cost synergies and working capital improvement opportunities



**Driving growth and long-term value creation for shareholders**

# BROAD PRODUCT PORTFOLIO TO SERVE THE NEEDS OF THE UNDERGROUND CONSTRUCTION PROFESSIONAL

## 1 Asset Location

Utility locating and horizontal directional drill guidance electronics

## 2 Install: No-dig

Trenchless solutions underneath the ground via horizontal directional drills

## 5 Repair & Rehab

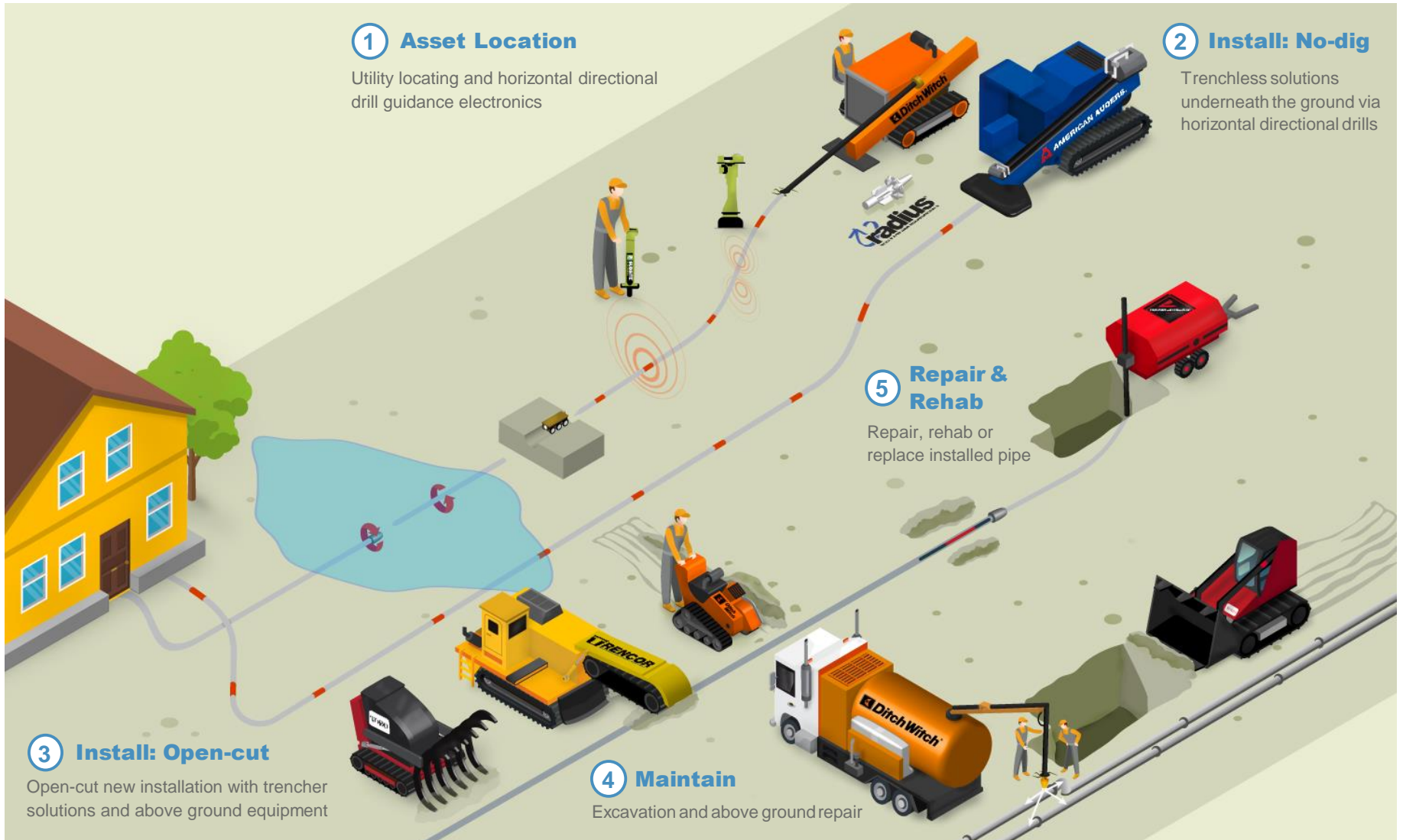
Repair, rehab or replace installed pipe

## 3 Install: Open-cut

Open-cut new installation with trencher solutions and above ground equipment

## 4 Maintain

Excavation and above ground repair



# CONSISTENT WITH CAPITAL DEPLOYMENT STRATEGY

Cash From Operations



Free Cash Flow Conversion to Approximate Net Income Over Time

Operating and Growth Needs

- Internal Productive Assets
- Acquisitions & Alliances



Target Debt-to-EBITDA Ratio of 1-2x

Return to Shareholders

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

## Acquisition Priorities

- ✓ Global
- ✓ Professional
- ✓ Water
- ✓ Technology



**CHARLES MACHINE WORKS**  
THE UNDERGROUND AUTHORITY



# SUMMARY

**Purchase price of \$700M in cash | CY18E revenue of \$725M | \$30M of anticipated annual run-rate synergies**

**Complements existing Toro portfolio with addition of Ditch Witch® and other leading brands**

**Enhances scale, product line breadth and end market diversification within professional contractor market**

**Acquisition consistent with longstanding capital deployment strategies and M&A priorities**

**Expect to be immediately accretive to EPS, excluding purchase accounting and transaction costs**



# APPENDIX

# COMPLETE SUITE OF PRODUCTS



Directional Drill



Directional Drill



Horizontal Directional Drill (HDD)



Walkover HDD Guidance System



Hydra Composite Drum



HDD Hole Opener



Hydro Excavator



Auger Boring Machine



Pipe Crossing HDD



Ground Penetrating Radar



Hydro Pipe Burster



HDD Fly Cutter Reamer



Walk Behind Trencher



Underground Trencher



Auto Drill Pipe Loader HDD



Digital HDD Guidance Display



Portavision sewer camera



HDD Roller Cone Bit



Mini Skid Steer



Surface Miner



HDD Pipelaying Rig



Multi-frequency Utility Locater



Hydroguide Winch



HDD Paddle Reamer