

THE TORO COMPANY

Serving Customers Through Superior Innovation and Superior Customer Care

2016 InvestMNT Conference
August 24, 2016



UNIQUE
LIGHTING SYSTEMS®



HAYTER
MAKERS OF THE FINEST MOWERS



Irritrol



FORWARD-LOOKING STATEMENTS

- This presentation contains forward-looking statements regarding our business and future financial and operating results made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.
- These forward-looking statements are based on management's current assumptions and expectations of future events. Actual events and results may differ from those predicted.
- Please 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.

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.

Help Our Customers

Most Trusted

Superior Innovation & Superior Customer Care



OUR GUIDING PRINCIPLES

The Toro Company's success is founded on a long history of caring relationships based on trust and integrity. These relationships are the foundation on which we build market leadership with the best in innovative products and solutions to make outdoor environments beautiful, productive, and sustainable. We are entrusted to strengthen this legacy of excellence.

Caring Relationships

INVESTOR THESIS

(NYSE: TTC)

Summary

- Rich History and Deep Expertise in Solutions for the Outdoor Environment & Development of Distribution and Customer Care Networks
- Diverse Portfolio of Markets & Products
- Innovation & Brand Leadership
- 2014 Centennial—Launched Second Century



Opportunities

- Top-Line Growth Potential
- Margin Expansion Opportunity
- Strong Balance Sheet



COMPANY HIGHLIGHTS

(NYSE: TTC)

Fiscal 2015

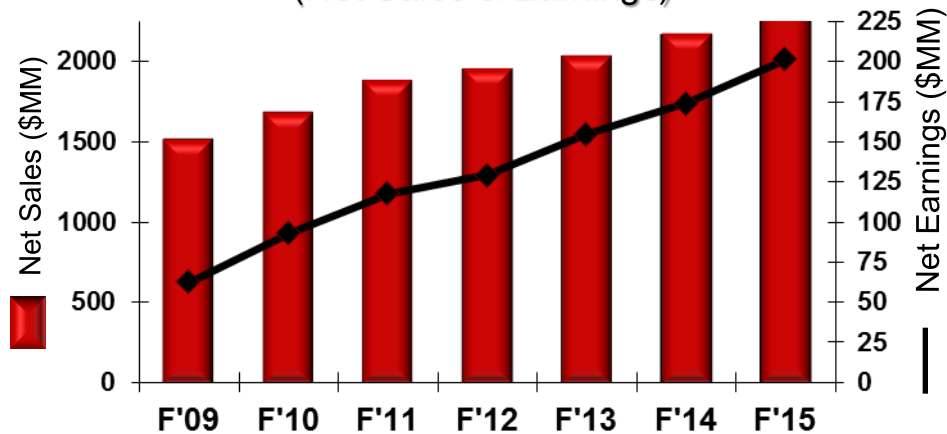
- Net sales grew 10% to a record \$2.4 billion dollars
- EPS grew 17.5% to a record \$3.55
- Boss acquisition - largest in company history

Fiscal 2016 (YTD)

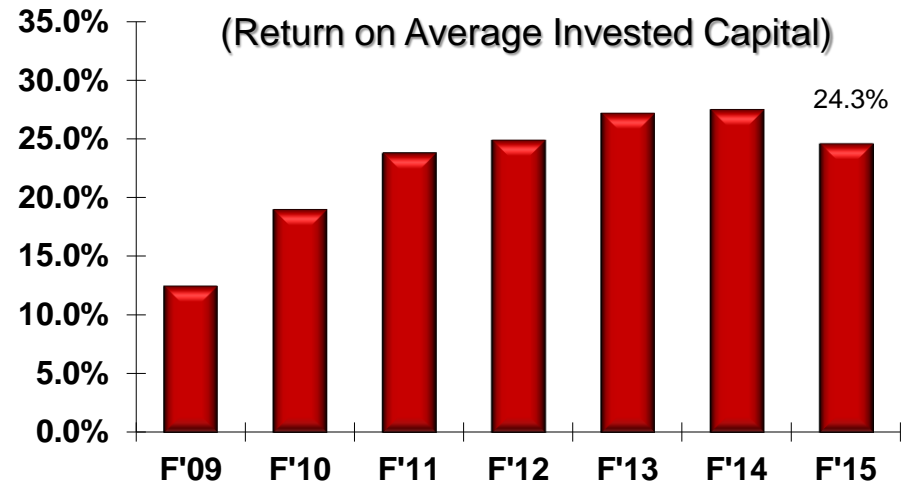
- Net sales grew 0.7% to \$1.924 billion dollars
- EPS grew 14.4% to a record \$3.58
- Professional segment sales driving full year positive results

Financial Performance

(Net Sales & Earnings)



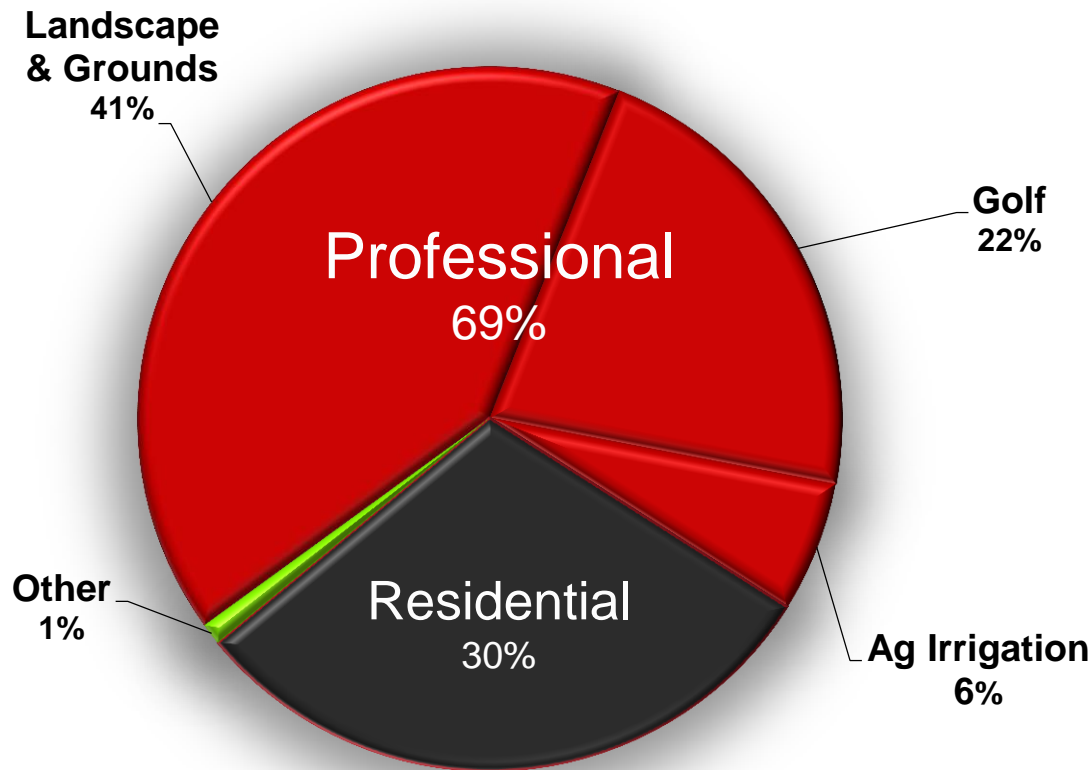
(Return on Average Invested Capital)



DIVERSE PORTFOLIO

F'15 REVENUES—\$2.4 BILLION

Segments & Markets



Professional

F'15 Sales: \$1.64B

F'15 Segment Earnings: 18.8%

- Innovation leader
- Performance, productivity & customer care relationships valued by customers
- Planned & more regular customer spending
- Higher margins

Residential

F'15 Sales: \$725M

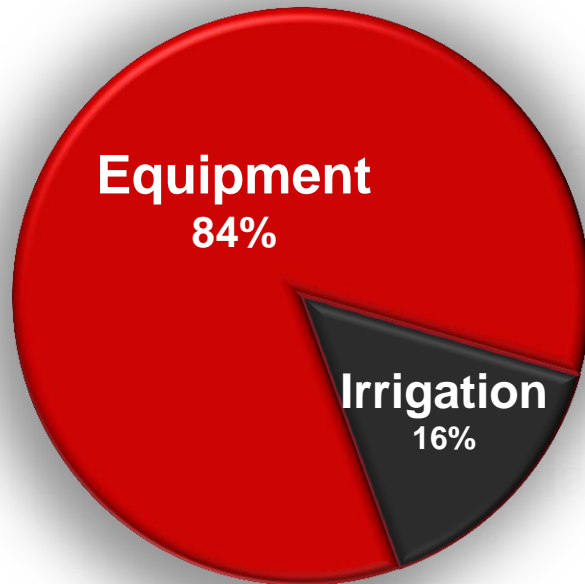
F'15 Segment Earnings: 11.7%

- Powerful brands
- Strong sales channel & service network
- Innovation, quality & durability rewarded by customers

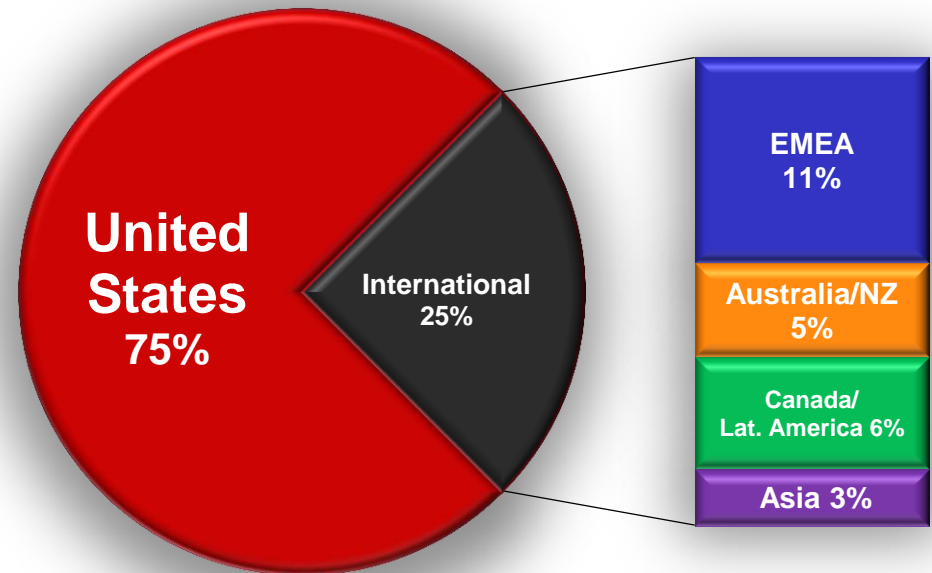
DIVERSE PORTFOLIO

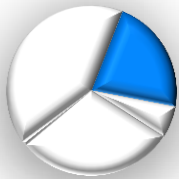
F'15 REVENUES—\$2.4 BILLION

Products



Geography





PROFESSIONAL - GOLF

- **Worldwide Market**



- **Turf Equipment & Irrigation Systems**

- **Fundamentals & Opportunities**

- Existing Courses Replacing Equipment & Aging Irrigation Systems
- International New Golf Course Development

- **TTC Advantage**

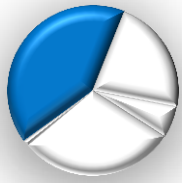


- Powerful Brand
- Innovation & Performance—Share Gain & Margin Expansion
- Strong Network of Distributors, Relationships & Customer Care

- **Key Competitors**

- Worldwide Competitors
 - Equipment—Deere, Jacobsen (Textron)
 - Irrigation—Rainbird





PROFESSIONAL - LANDSCAPE & GROUNDS

Turf Equipment



Irrigation & Lighting

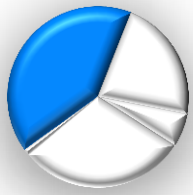


Snow & Ice Management





Rental & Specialty Construction








PROFESSIONAL—LANDSCAPE & GROUNDS

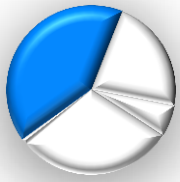
Turf Equipment

- **Worldwide Market**
 - Professional Landscape Maintenance, Sports Fields, Municipalities, Universities & Schools
- **Fundamentals & Opportunities**
 - Heavy Use Drives Replacement & Parts
 - Rural, Municipal & International Opportunities
- **TTC Advantage**
 - ZTR Leadership  
 - Product Innovation, Durability & Quality
 - Toro & Exmark Channel Strength
- **Key Competitors**
 - Scag, Deere, Hustler, Kubota
 - + Many Smaller Competitors



Snow & Ice Management

- **Worldwide Market**
 - Professional Snow Removal, Municipalities
- **Fundamentals & Opportunities**
 - Critical Products for Event Driven Non-Discretionary Services
 - Severe Environments Drive Replacement & Parts
 - Product Expansion & International Opportunities
- **TTC Advantage**  
 - Strong Brand & Market Leadership
 - Product Innovation, Durability & Quality
 - Regional Channel Strength
- **Key Competitors** 
 - Douglas Dynamics (Western, Fisher, Blizzard), Meyer, Sno-Way, Curtis, Buyer's, Hiniker



PROFESSIONAL—LANDSCAPE & GROUNDS(CONTINUED)

Irrigation & Lighting

Rental & Specialty Construction

- **Worldwide Market**

- Residential & Commercial Applications
- Contractor Installed

- **Worldwide Market**

- Rental—Rental Companies & Contractors
- Construction—Utility Contractors & Public Works

- **Fundamentals & Opportunities**

- Housing / Commercial Construction Recovery
- Share Expansion Opportunities
- Increasing Demand for Efficient Water Solutions

- **Fundamentals & Opportunities**

- Rental—Heavy Use Drives Replacement & Parts; Customer Rent & Buy Opportunities
- Construction—Infrastructure Development & Utility Improvements

- **TTC Advantage**



- Innovation Leadership for Irrigation & Lighting Systems

UNIQUE LIGHTING SYSTEMS®



- **Key Competitors**

- Irrigation—Rainbird, Hunter
- Lighting—FX, Vista

- **TTC Advantage**



- Leverage Brand & Product Leadership
- Innovation & International Opportunities



- **Key Competitors**

- Rental—Vermeer, Ditch Witch, Wacker, Multi Quip, + Various Others
- Construction—Vermeer, Ditch Witch





PROFESSIONAL— AGRICULTURE IRRIGATION

- **Worldwide Market**

- **Micro-Irrigation Solutions**

- Drip Tape—High Value Row Crops (e.g. Onions, Strawberries)
- Drip Line—Permanent Crops (e.g. Vineyards, Fruit Trees)

- **Fundamentals & Opportunities**

- Efficient Water Use & Higher Demand for Food Production
- Increase Yields & Reduce Resources (e.g. Water, Energy, Fertilizer)

- **TTC Advantage** 

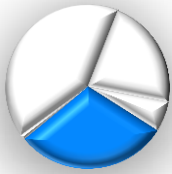
- Product Quality & Innovation—Blue Stripe® and AquaTraxx®
- Leverage Investments in New Geographic Markets—Romania & China
- Product Expansion Opportunities (e.g. Controls, Sensors)

- **Key Competitors**

- Netafim, Jain Irrigation, RIVULIS (acquired from Deere by FIMI)



	Flood	Center Pivot	Micro
Acreage	50%	40%	10%
Efficiency	40%	70%	90%+



RESIDENTIAL

- **Worldwide Market**

- **Lawn, Garden & Snow Equipment**

- Walk-Behind & ZTR Mowers, Snow Throwers, Handheld Maintenance Products







- **Fundamentals & Opportunities**

- U.S. WPM Replacement Market (~5M WPMs/Year)
- ZTR Growth Opportunity
- Innovation Rewarded



- **TTC Advantage**

- Powerful Brands    
- Leadership in Product Innovation, Quality & Durability
- Strong Home Center Relationship
- Strong Servicing Dealer Network



- **Key Competitors**

- Craftsman, John Deere, Ariens, Husqvarna, MTD, Briggs & Stratton

MANAGEMENT DEPTH



**Toro Officer
Team**

21 Year Average

DRIVING CONTINUOUS IMPROVEMENT THROUGH EMPLOYEE INITIATIVES



F'01 – F'03

- ✓ Goal to achieve 5% PAT



F'04 – F'06

- ✓ Goal to achieve "6%+" PAT
- ✓ Goal to drive 8% 3 year compound revenue growth
- ✓ Began LEAN journey



F'07 – F'09

- Goal to drive 3 year compound revenue growth of 8%
- Goal to achieve "7%+" PAT
- ✓ Working capital as % of sales "in the teens"



F'11 – F'14

- \$100M+ organic growth each year
- ✓ 12%+ operating earnings by end of F'14



F'15 – F'17

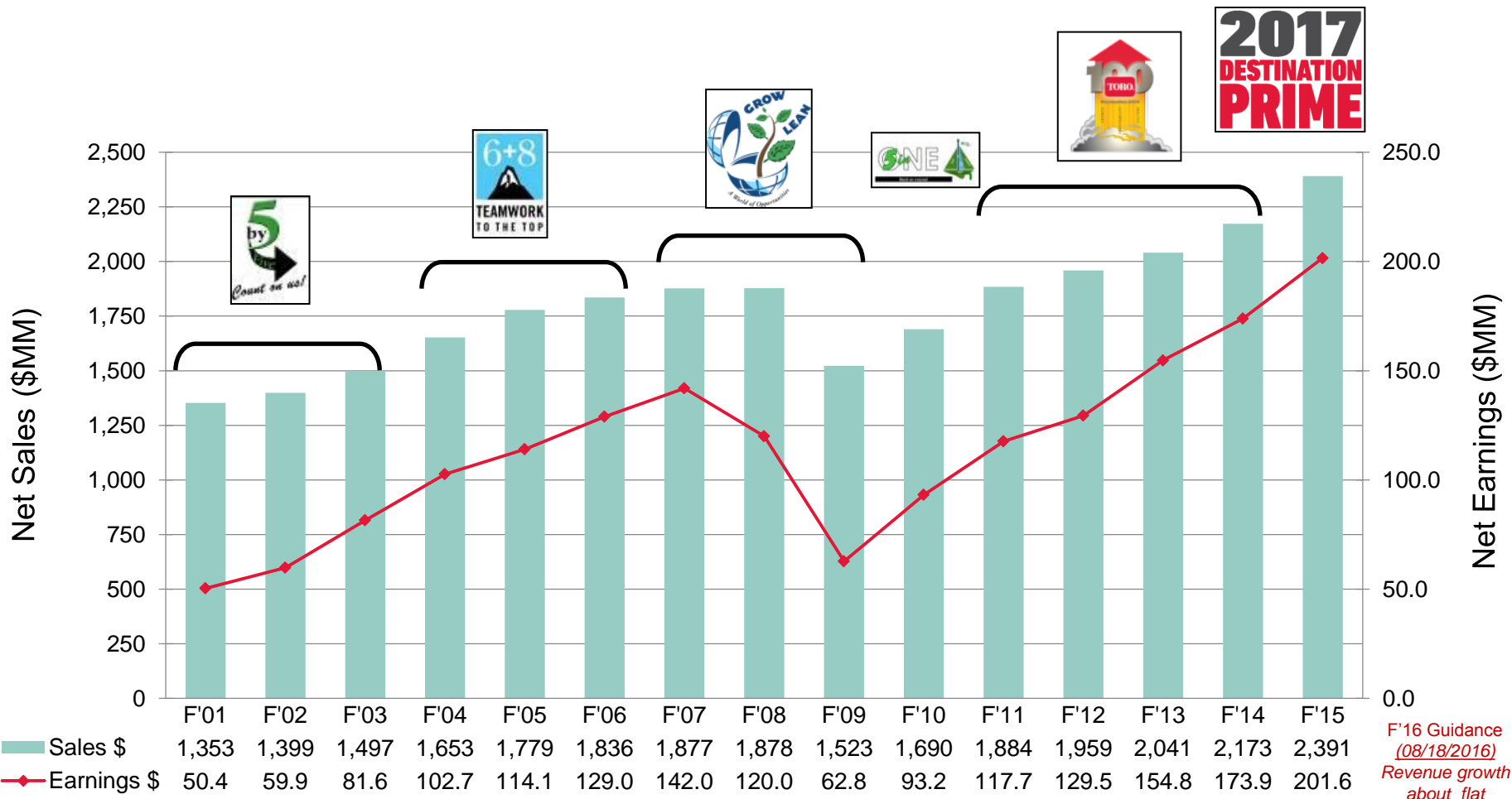
- 5% or more organic growth each year
- 13%+ operating earnings by end of F'17
- Working capital below 13% by end of F'17
- Productivity
- Relationships
- Innovation
- Momentum
- Excellence



F'10

- ✓ Singular Goal – 5% PAT

SALES & PROFIT IMPROVEMENT



F'16 Guidance
 (08/18/2016)
 Revenue growth
 about flat
 to up 1%;
 EPS about
 \$3.95 to \$4.00

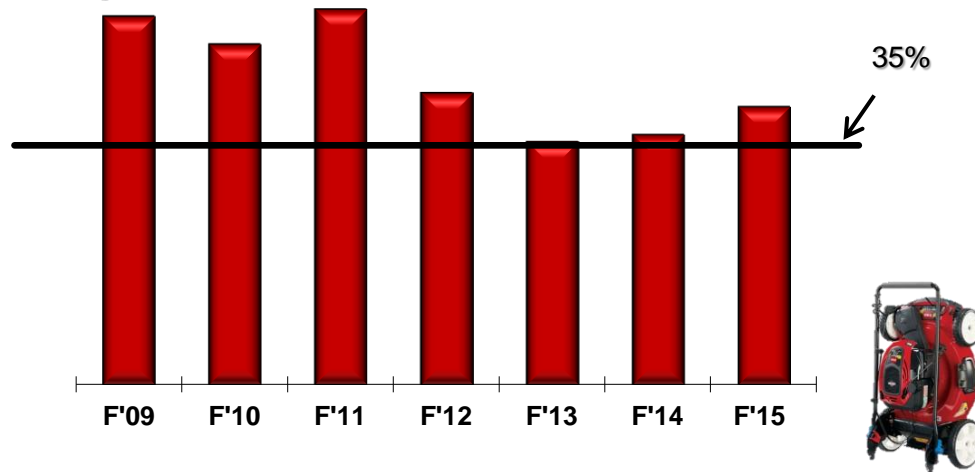
INVESTMENTS IN GROWTH

DRIVING GROWTH IN THE CORE

- Leadership Through Innovation
 - Sustained 3%+ Investment in Research & Engineering
 - Passion to Address Customers Unmet Needs
 - Drive Market Share Gains & Margin Expansion

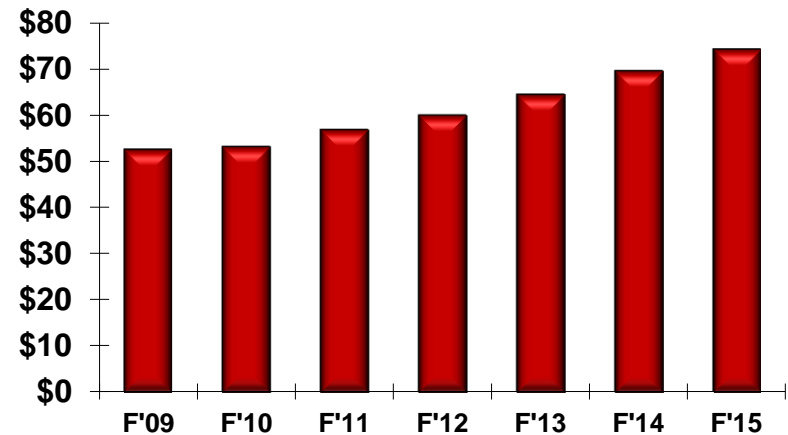


Vitality Index
(Percent of Sales from New Products*)



*Introduced in Current & Previous Two Fiscal Years

R&E Investment
(In Millions)



INVESTMENTS IN GROWTH

DRIVING GROWTH BEYOND THE CORE

- Acquisitions

- Bias for Professional, International & Water Businesses
- Seeking Platforms for Growth—Adjacencies to Core Businesses
- Diligent Process—Right Opportunity & Price

Golf

Graden (F'11), Ty-Crop (F'09), Southern Green (F'08)



Snow & Ice Management

BOSS (F'15)



Underground/Rental

Astec (F'12), Stone (F'12), Lawn Solutions (F'11), US Praxis (F'10)



Irrigation Controls & Sensors

Turf Guard (F'08), Rain Master (F'07)



Landscape Lighting

Unique (F'11)



Micro Irrigation

Xiamen Xiangfeng (F'13)



CASH DEPLOYMENT PHILOSOPHY

- **Cash Conversion to Approximate Net Income**

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

- **Continued Investment in the Business**
 - Projects to Drive Organic Growth
 - Strategic Acquisitions

- **Return to Shareholders**
 - Regular Dividends
 - Share Repurchases

CAPITAL DEPLOYMENT

Cash From Operations



Operating and Growth Needs

- Internal Productive Assets
- Acquisitions & Alliances



Return to Shareholders

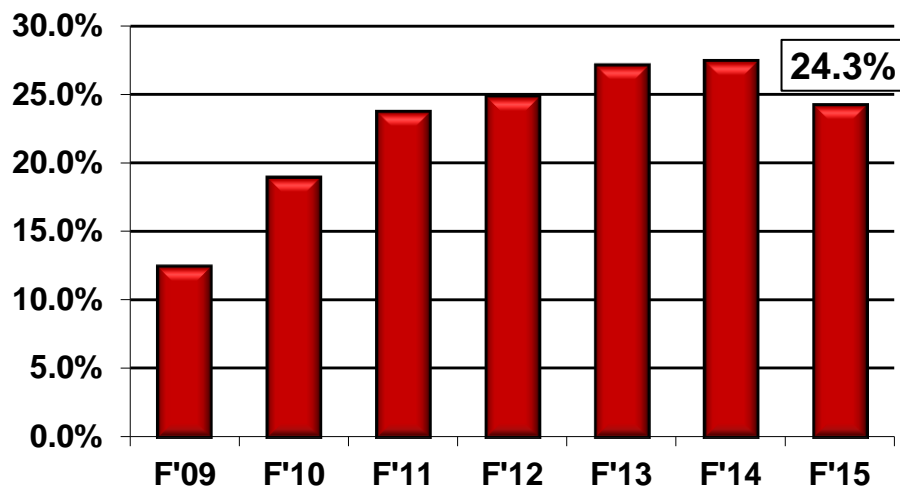
- Regular Dividends (30-40% of 3-Yr Average EPS)
- Share Repurchases

(\$ millions)	F'09	F'10	F'11	F'12	F'13	F'14	F'15	Total
Operating Cash Flow	\$252	\$194	\$113	\$186	\$222	\$182	\$237	\$1,386
Capital Expenditures	\$38	\$49	\$57	\$43	\$49	\$71	\$56	\$363
Strategic Acquisitions	\$6	\$10	\$15	\$10	\$2	\$1	\$229	\$273
Dividends Paid	\$21	\$24	\$25	\$26	\$32	\$45	\$56	\$229
Share Repurchases	\$115	\$136	\$130	\$93	\$100	\$103	\$107	\$784
Total Capital Deployed	\$180	\$219	\$227	\$172	\$183	\$220	\$448	\$1,649
% of Operating Cash Flow	71%	113%	201%	93%	82%	121%	189%	119%

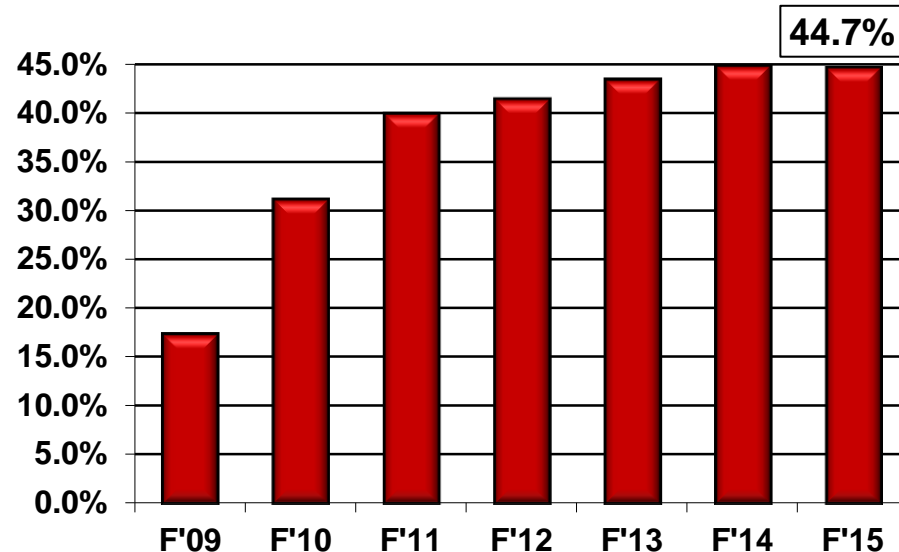
KEY PERFORMANCE MEASURES

DELIVERING STRONG RETURNS

Return on Average Invested Capital (%)*



Return on Average Equity (%)*



Cash Flow

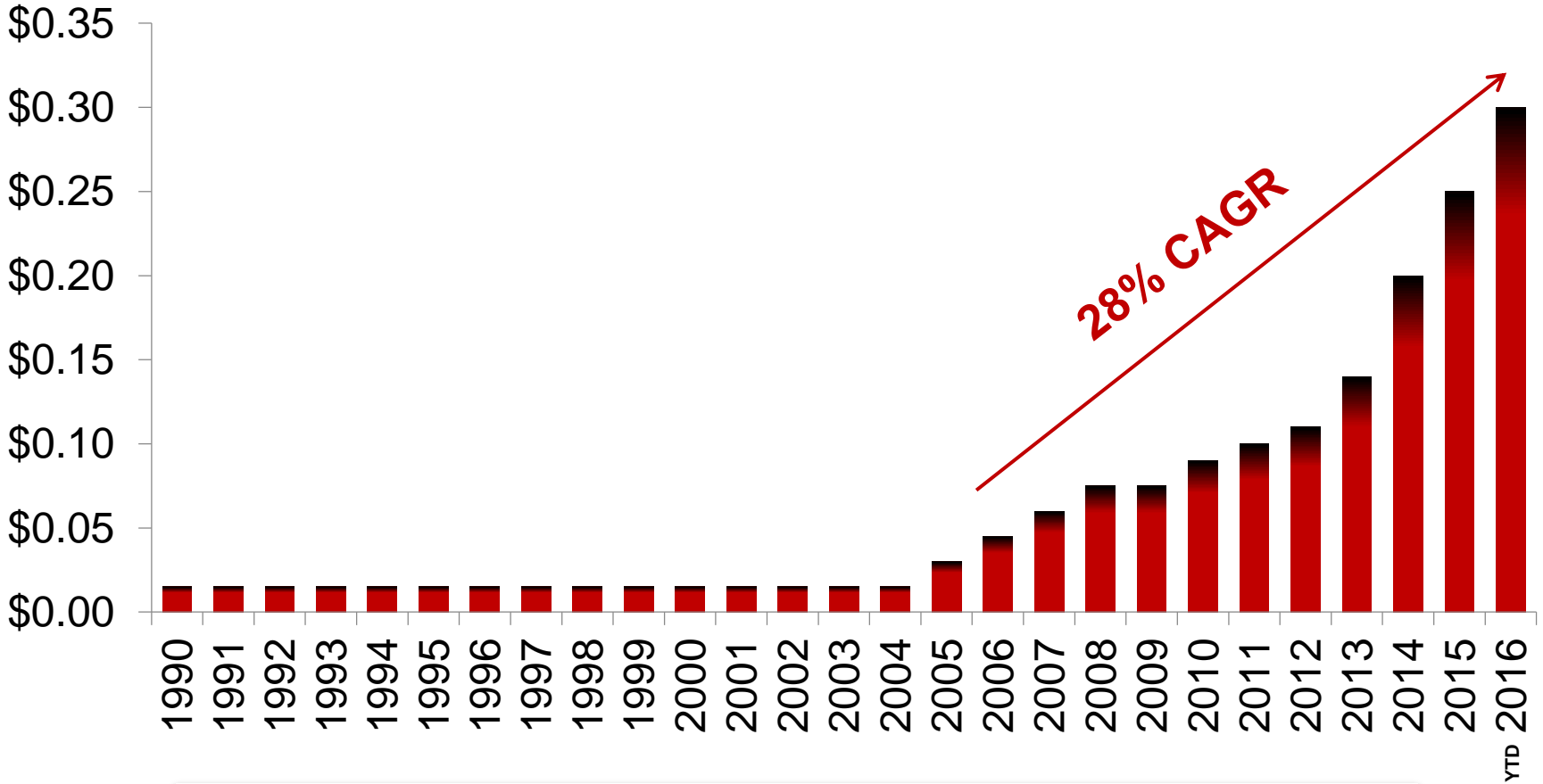
	F'09	F'10	F'11	F'12	F'13	F'14	F'15
Operating Activities Net Cash	\$251.5M	\$193.5M	\$113.9M	\$185.8M	\$221.9M	\$182.4M	\$236.9M
Cap Ex	(\$37.9M)	(\$48.7M)	(\$57.4M)	(\$43.2M)	(\$49.4M)	(\$71.1M)	(\$56.4M)
Free Cash Flow **	\$213.6M	\$144.8M	\$56.5M	\$142.6M	\$172.5M	\$111.3M	\$180.5M

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

**Free Cash Flow: Reconciliation Shown in Table

INCREASING DIVIDENDS

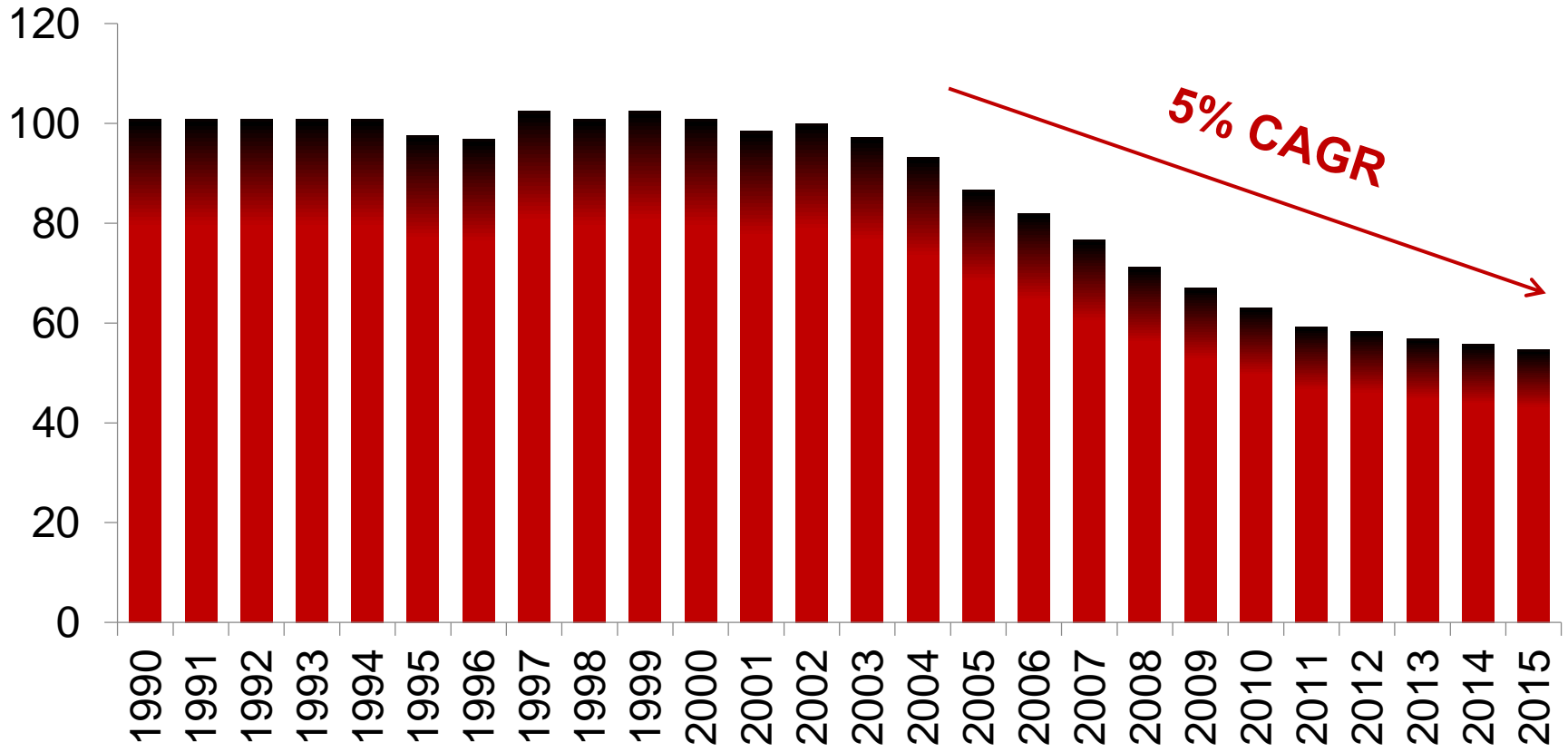
Regular Quarterly
Dividend
(Adjusted for Splits)



Regular Dividend Declaration—May 17, 2016

CONSISTENT SHARE REPURCHASES

Shares Outstanding In Millions
(Adjusted for Splits)

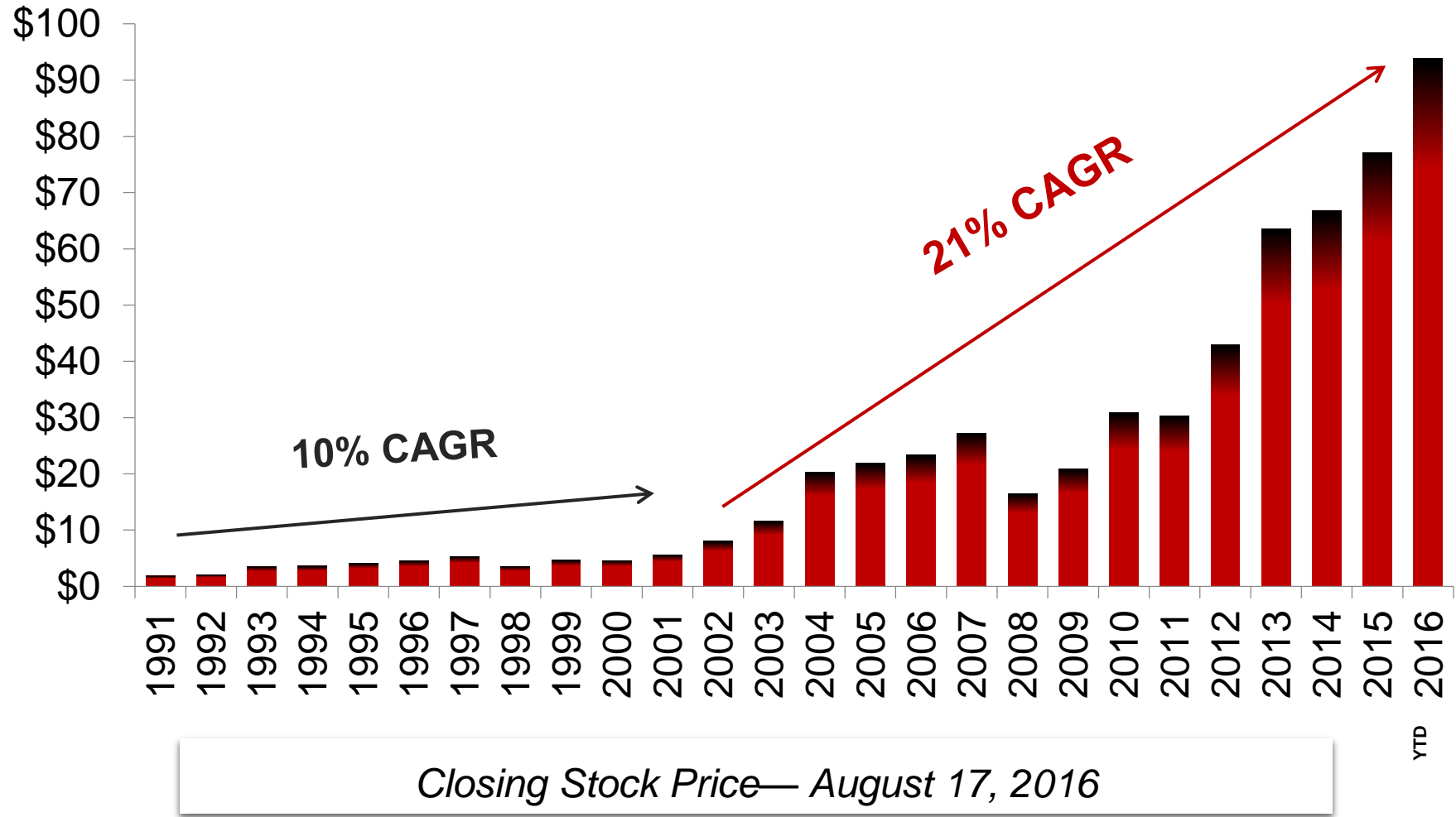


Remaining Authority (08/18/2016) - 4.3 Million Shares

INCREASING SHAREHOLDER VALUE

STOCK PRICE APPRECIATION

TTC Stock Price
(Adjusted for Splits)

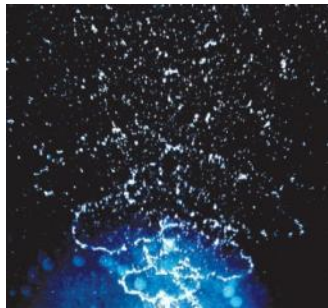


SUMMARY

- **Building on a Solid Foundation**
 - Beginning Our Second Century of Innovation, Relationships & Excellence
 - Enduring Company Culture & Effective Employee Initiatives
 - Demonstrated Consistent Financial Performance
- **Leveraging a High Value Business Model**
 - Diverse Portfolio with Strong Brands & Market Share
 - Solid Financial Returns & Strong Balance Sheet
 - Consistent Return of Value to Shareholders
- **Driving Growth and Profitability**
 - Top-Line Growth Potential
 - Market Share & Margin Expansion Opportunities
 - Disciplined Process & Financial Capacity for Acquisitions



APPENDIX



NON-GAAP FINANCIAL MEASURES

- This presentation contains certain non-GAAP financial measures.
- Management believes that the presentation of the non-GAAP measures provides useful information to investors and that these measures may assist investors in evaluating our operations.
- This Appendix includes a reconciliation of the non-GAAP financial measures used in the presentation to the most directly comparable GAAP financial measure.
- Non-GAAP financial measures have limitations as analytical tools, and should not be considered in isolation, or as a substitute for, our financial results prepared in accordance with U.S. GAAP.
- Investors should note that any non-GAAP financial measure we use may not be the same non-GAAP financial measure, and may not be calculated in the same manner, as that of other companies.

NON-GAAP RECONCILIATIONS

Return on Average Invested Capital (%)

(\$ in Millions)	F'09	F'10	F'11	F'12	F'13	F'14	F'15
Op Earnings*(1-Tax Rate)	\$75.6	\$99.8	\$124.2	\$135.7	\$157.5	\$178.4	\$207.2
Avg. Quarterly Capital Utilized	\$606.0	\$526.6	\$522.0	\$544.1	\$579.5	\$649.1	\$852.7
ROIC	12.5%	19.0%	23.8%	24.9%	27.2%	27.5%	24.3%

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

Return on Average Equity (%)

(\$ in Millions)	F'09	F'10	F'11	F'12	F'13	F'14	F'15
Net Income	\$62.8	\$93.2	\$117.7	\$129.5	\$154.8	\$173.9	\$201.6
Avg. Quarterly Equity	\$361.3	\$298.6	\$294.4	\$312.4	\$355.8	\$387.1	\$451.0
ROAE	17.4%	31.2%	40.0%	41.5%	43.5%	44.9%	44.7%

$$\frac{\text{Net Income}}{\text{Avg. Quarterly Equity}} = \text{ROAE}$$

F'16 3Q & YTD RESULTS

(RELEASED AUGUST 18, 2016)

	F'16 3Q	▲ from F'15 3Q	F'16 YTD	▲ from F'15 YTD
Revenues	\$601.0M	(1.4%)	\$1.924B	0.7%
Gross Margin (% of Revenues)	36.0%	50 bps	36.5%	160 bps
SG&A (% of Revenues)	22.4%	(10 bps)	21.4%	20 bps
Operating Earnings (\$)	\$82.0M	3.2%	\$290.9M	11%
Operating Earnings (% of Revenues)	13.6%	60 bps	15.1%	140 bps
EPS	\$1.00	6.4%	\$3.58	14.4%

F'16 3Q Revenues & Record EPS

GUIDANCE

(AS OF AUGUST 18, 2016)

F'16 FY

EPS:	About \$3.95 to \$4.00
Revenues:	Flat to Up 1% From F'15
Gross Margin: (% of Revenues)	Increase of About 130 bps From F'15
SG&A: (% of Revenues)	Similar to or Slightly Higher Than F'15
Tax Rate:	About 30.5%
CapEx:	About \$60M
Depreciation & Amortization:	About \$65M
Interest Expense:	About \$18M to \$19M
Share Repurchases:	Expect to About \$100M for the Fiscal Year
Free Cash Flow:	About \$220M

EARNINGS HISTORY

F'07—F'15

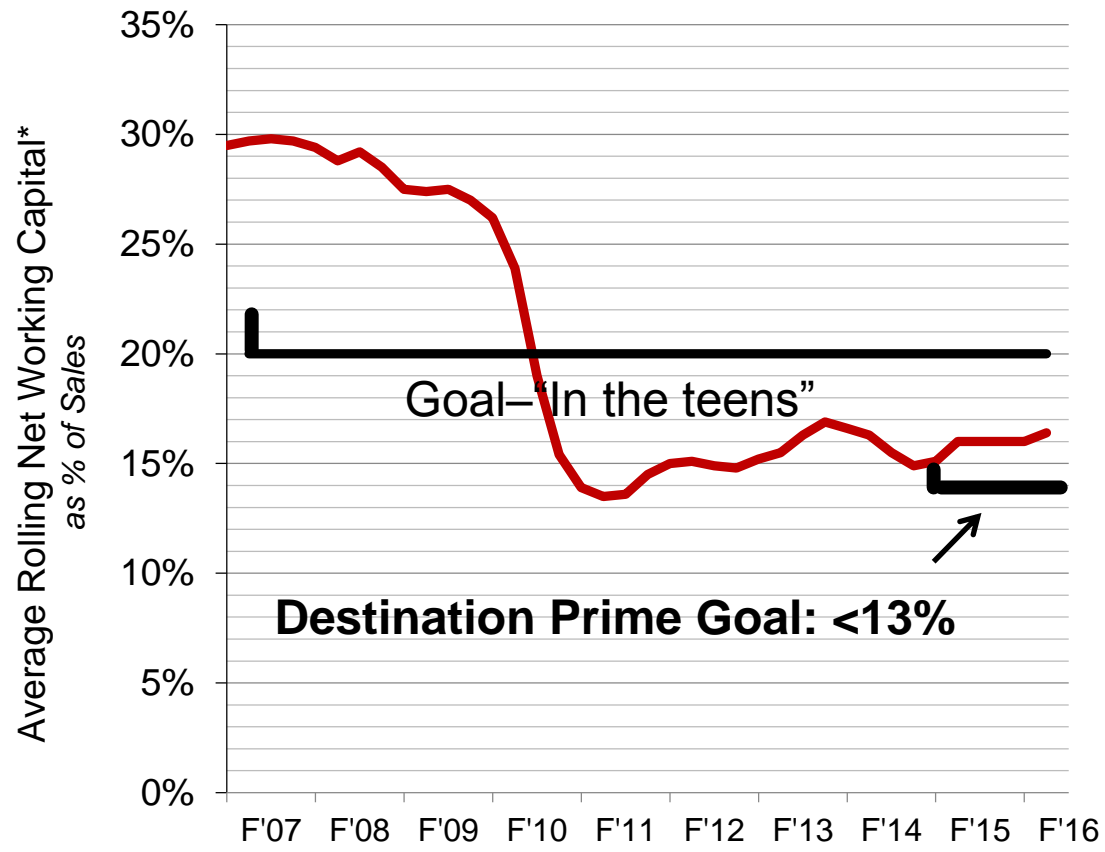
(\$ millions except EPS)	F'07	F'08	F'09	F'10	F'11	F'12	F'13	F'14	F'15
Net Sales	\$1,877.0	\$1,878.0	\$1,523.4	\$1,690.4	\$1,884.0	\$1,958.7	\$2,041.4	\$2,172.7	\$2,390.9
Percent Growth	5.5%	0.1%	-18.9%	11.0%	11.5%	4.0%	4.2%	6.4%	10.0%
Gross Profit	\$678.4	\$652.7	\$511.0	\$576.4	\$636.6	\$673.1	\$724.8	\$773.3	\$835.90
% of Sales	36.1%	34.8%	33.5%	34.1%	33.8%	34.4%	35.5%	35.6%	35.0%
SG&A	\$454.7	\$454.3	\$395.8	\$425.1	\$452.2	\$467.5	\$494.1	\$510.1	\$536.8
% of Sales	24.2%	24.2%	26.0%	25.1%	24.0%	23.9%	24.2%	23.5%	22.5%
Operating Earnings	\$223.7	\$198.4	\$115.2	\$151.3	\$184.5	\$205.6	\$230.7	\$263.2	\$299.1
% of Sales	11.9%	10.6%	7.6%	9.0%	9.8%	10.5%	11.3%	12.1%	12.5%
Other (Inc)/Exp	-\$9.0	-\$2.2	\$1.8	\$7.1	\$7.3	\$7.6	\$12.3	\$8.7	\$10.7
Interest Expense	\$19.4	\$19.3	-\$17.6	-\$17.1	-\$17.0	-\$16.9	-\$16.2	-\$15.4	-\$18.8
Pretax Earnings	\$213.2	\$181.3	\$95.8	\$141.3	\$174.8	\$196.3	\$226.7	\$256.4	\$291.0
% of Sales	11.4%	9.7%	6.3%	8.4%	9.3%	10.0%	11.1%	11.8%	12.2%
Net Earnings	\$142.4	\$119.7	\$62.8	\$93.2	\$117.7	\$129.5	\$154.8	\$173.9	\$201.6
% of Sales	7.6%	6.4%	4.1%	5.5%	6.2%	6.6%	7.6%	8.0%	8.4%
% Growth	24.8%	-15.9%	-47.5%	48.4%	26.3%	10.0%	19.5%	12.3%	15.9%
EPS	\$1.70	\$1.55	\$0.87	\$1.40	\$1.85	\$2.14	\$2.62	\$3.02	\$3.55
% Growth	-30.6%	-8.8%	-43.9%	60.9%	32.1%	15.7%	22.4%	15.3%	17.5%

FYE BALANCE SHEET

F'08—F'15

(\$ millions)	F'08	F'09	F'10	F'11	F'12	F'13	F'14	F'15
Cash	\$ 99.4	\$ 187.8	\$ 177.4	\$ 80.9	\$ 125.9	\$ 183.0	\$ 314.9	\$ 126.3
Accts Receivable	\$ 256.3	\$ 143.7	\$ 142.9	\$ 148.1	\$ 147.4	\$ 157.2	\$ 158.2	\$ 177.0
Inventory	\$ 207.1	\$ 176.3	\$ 194.4	\$ 223.0	\$ 251.1	\$ 240.1	\$ 274.6	\$ 334.5
Current Assets	\$ 643.9	\$ 582.2	\$ 585.0	\$ 532.9	\$ 612.1	\$ 653.3	\$ 824.0	\$ 710.7
Total Assets	\$ 932.3	\$ 872.7	\$ 885.6	\$ 870.7	\$ 935.2	\$1,002.7	\$1,192.4	\$1,303.7
Short-Term Debt	\$ 2.3	\$ 4.5	\$ 1.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 20.8	\$ 0.2
Total Curr Liabilities	\$ 324.5	\$ 316.8	\$ 368.3	\$ 359.1	\$ 378.1	\$ 388.8	\$ 400.4	\$ 443.7
Long-Term Debt	\$ 227.5	\$ 228.8	\$ 225.5	\$ 227.2	\$ 225.3	\$ 223.5	\$ 347.3	\$ 354.8
Equity	\$ 364.7	\$ 315.2	\$ 275.8	\$ 266.8	\$ 312.4	\$ 358.7	\$ 408.7	\$ 462.2
Total Debt/Capital	39.0%	42.5%	45.1%	46.0%	41.9%	38.4%	47.4%	45.0%
Average Debt	\$ 290.2	\$ 243.2	\$ 228.6	\$ 227.3	\$ 231.5	\$ 223.8	\$ 244.1	\$ 399.6

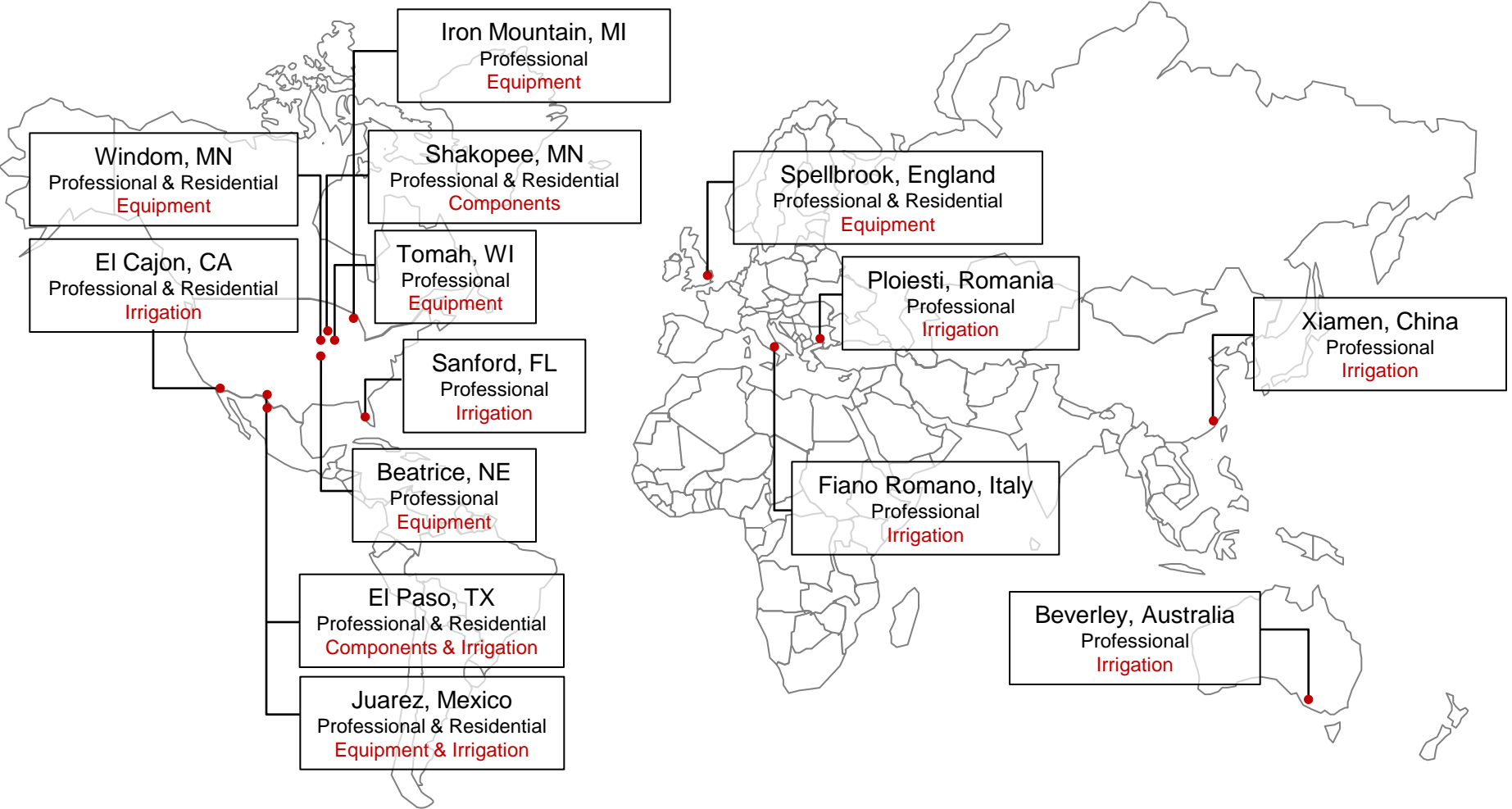
WORKING CAPITAL IMPROVEMENT



- ### Highlights
- Achieved long-term working capital goal at end of F'10
 - More than \$300M of average working capital freed up for other uses
 - A/R down over 50%
 - Inventory down over 30%
 - Payables up over 30%
 - Renewed focus on working capital with Destination **PRIME** to <13%

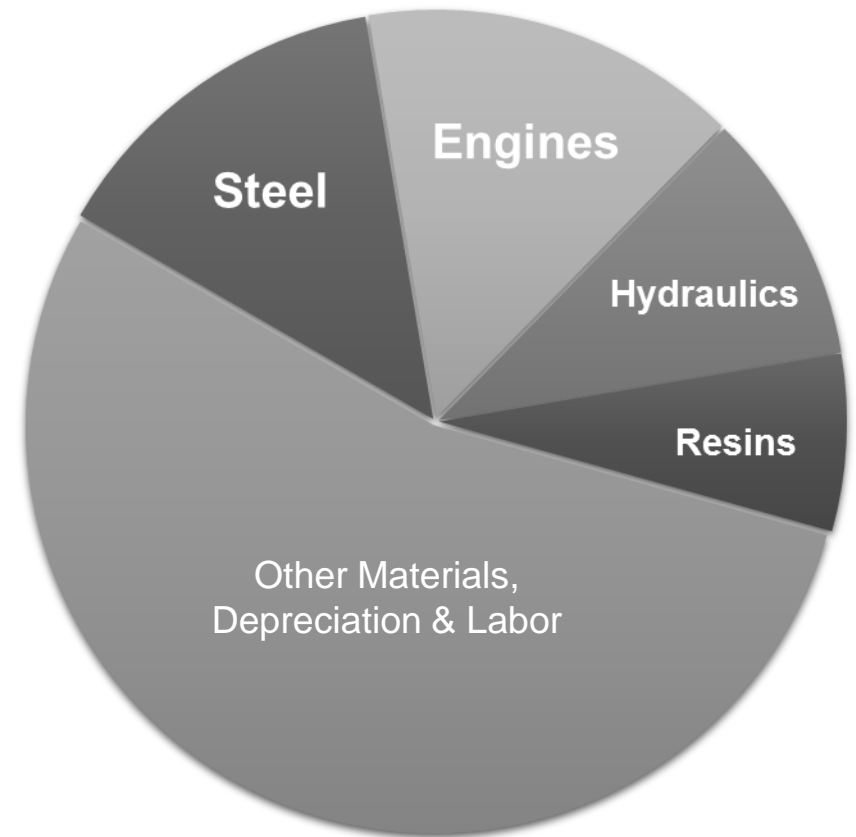
**Non-GAAP Measure:
 Average net working capital as % of net sales for trailing 12 months
 Net Working Capital = Accounts Receivable+ Net Inventory – Trade Payables*

MANUFACTURING FACILITIES



MATERIAL COSTS

Major Components of Cost of Goods Sold



PRIDE IN EXCELLENCE

People Values

- Respect & Trust
- Teamwork/
Partnership
- Empowerment
- Coaching
- Recognition
- Communication



Performance Values

- “Do What We Say We Will Do”
- Building Growth & Profitability
- Be Customer Driven With Urgency
- Embrace Risk & Opportunity
- Create & Leverage Innovation
- Continuously Improve

Environmental & Giving

Environmental Principles

- Committed to protecting the environment & improving resource management
- Help customers address environment challenges
- Endeavor to adopt sustainable practices & eliminate waste in our global operations
- Part of our design & business strategy, we go beyond just compliance

Investment in Communities

- Endeavor to give 2% of domestic pretax income to support our communities and industries
- Provide people, products and financial resources to build healthy communities
- Focus on enriching outdoor environments and encouraging efficient use of water





TORO



Competitor

Differences that matter to growers...

↑ Yield

↓ Water

↓ Disease

↓ Energy

↓ Fertilizer

↓ Product Failure