

The TORO logo is a red rounded square with the word "TORO" in white, bold, sans-serif capital letters.

THE TORO  
COMPANY

# THE TORO COMPANY

Q2 2025 EARNINGS RELEASE

June 5, 2025





# Cautionary Note

This presentation contains forward-looking statements, which are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current assumptions and expectations of future events and often can be identified by words such as "believe," "expect," "intend," "forward," "future," "goal," "guidance," "improve," "may," "outlook," "should," "target" and "would," variations of such words or the negative thereof, and similar expressions or future dates. Forward-looking statements in this presentation include our fiscal 2025 financial guidance and expectations regarding demand trends, our ability to mitigate tariff headwinds, timing of operating cash flow generation, and AMP. Forward-looking statements involve risks and uncertainties that could cause actual events and results to differ materially from those projected or implied. Such risks and uncertainties include: adverse worldwide economic conditions; the effect of abnormal weather patterns; customer, government and municipal revenue, budget spending levels and cash conservation efforts; loss of any substantial customer; inventory adjustments or changes in purchasing patterns by customers; fluctuations in the cost and availability of commodities, components, parts, and accessories; disruption at or in proximity to our facilities or certain third parties; risks associated with acquisitions and dispositions; impacts of our AMP initiative and any future restructuring activities or productivity or cost savings initiatives; geopolitical factors and government policies and actions with respect to global trade, tariffs, U.S. trade policy and trade agreements; and other risks and uncertainties described in our most recent annual report on Form 10-K, subsequent quarterly reports on Form 10-Q or current reports on Form 8-K, and other filings with the Securities and Exchange Commission. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances occurring or existing after the date of this presentation.

This presentation also contains non-GAAP financial measures and more information about our use of such non-GAAP financial measures, as well as a reconciliation of the most directly comparable historical U.S. GAAP financial measures to the corresponding historical non-GAAP financial measures, which can be found in our related financial filings in the section titled "Non-GAAP Financial Measures."

*All financial results contained within this presentation are based on fiscal quarter ending May 2 figures*



# Q2 2025 Key Messages

1

Delivered second-quarter \*adjusted diluted EPS that exceeded our expectations despite tariff headwinds, macroeconomic conditions, and a delayed start to spring

2

Drove increased output and shipments in our golf and grounds businesses where demand for our innovative products remains robust

3

Repurchased \$100 million of company common stock during the second quarter, reflecting our confidence in cash generation and our commitment to returning capital to shareholders while maintaining balance sheet flexibility

4

Updated full-year fiscal 2025 \*adjusted diluted EPS guidance range to \$4.15 to \$4.30, incorporating additional macro headwinds for products sold to homeowners

# Tariff Takeaways

**Positioned well as a U.S. based manufacturer.  
Estimate tariff headwinds to be approximately 3 percent of our 2025 cost of goods sold.**

## Competitive Advantages

**USMCA Qualification**

**Primarily U.S. Supply Base**

**Minimal China Exposure**

**Ag Use Exemption**

## Mitigating Actions

**Manufacturing and Portfolio  
Optimization**

**Strategic Sourcing Adjustments**

**Price Increases**

**On track to mitigate 100% of tariff headwinds for full-year 2025**



# Q2 2025 Other Notable Highlights



## New BOSS Products Released at Work Truck Week® 2025

Including a Stainless-Steel Trip Edge V-Blade, new Cold Front Technology electrical system, and Smartlight4 headlights



## Awarded the 2024 Ace Hardware Vendor of the Year

Recognizes TTC for delivering substantial sales growth, differentiated innovative products, and excellent customer service



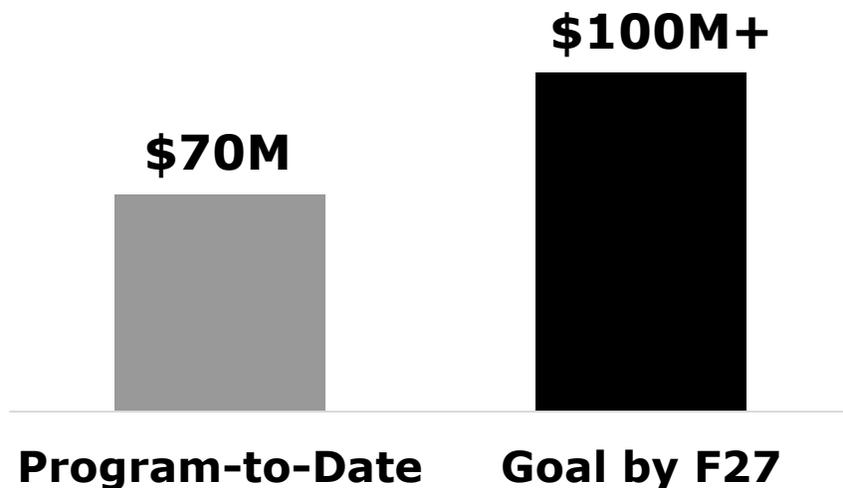
## Expanded Electric Construction Portfolio

Quiet with no exhaust emissions produced, each new product leverages our HyperCell™ Power System®, allowing customers to get 8-hours of runtime

# Amplifying Maximum Productivity (“AMP”)

Significant productivity initiative expected to deliver at least \$100M incremental annualized cost savings by fiscal 2027, a portion of which the company intends to prudently reinvest

## Annualized Savings Implemented



## Focus Areas for Transformation

Supply Base

Design-to-Value

Route-to-Market

Operational Efficiency

\$6M of run-rate savings achieved in Q2 2025... on track to achieve \$100M by fiscal 2027

# Q2 Consolidated Results

Highlighted by Professional segment growth and profitability improvement

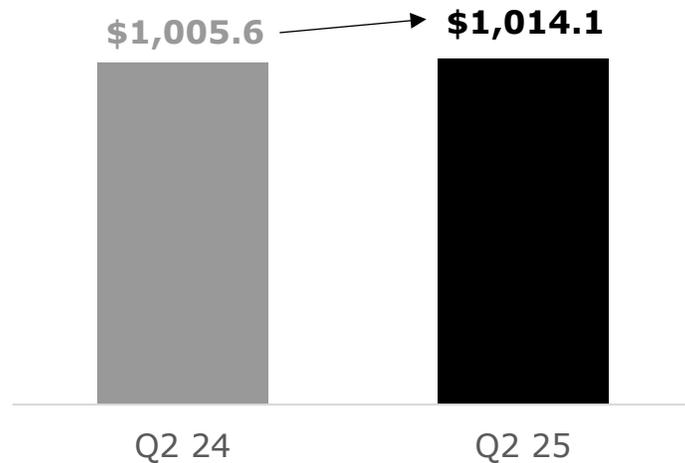
	REPORTED			ADJUSTED*		
	Q2 25	Q2 24	Change from Q2 24	Q2 25	Q2 24	Change from Q2 24
<b>Net Sales</b>	<b>\$1,317.9M</b>	<b>\$1,349.0M</b>	<b>-2.3%</b>	<b>\$1,317.9M</b>	<b>\$1,349.0M</b>	<b>-2.3%</b>
Gross Profit (\$)	\$436.7M	\$453.0M	-3.6%	\$440.4M	\$453.0M	-2.8%
Gross Margin (% of Net Sales)	33.1%	33.6%	-50 bps	33.4%	33.6%	-20 bps
<b>Operating Earnings (\$)</b>	<b>\$174.8M</b>	<b>\$187.6M</b>	<b>-6.8%</b>	<b>\$180.4M</b>	<b>\$192.0M</b>	<b>-6.0%</b>
<b>Operating Earnings Margin (% of Net Sales)</b>	<b>13.3%</b>	<b>13.9%</b>	<b>-60 bps</b>	<b>13.7%</b>	<b>14.2%</b>	<b>-50 bps</b>
Earnings Before Income Taxes	\$168.7M	\$179.2M	-5.9%	\$174.4M	\$183.6M	-5.0%
Net Earnings	\$136.8M	\$144.8M	-5.5%	\$141.8M	\$147.3M	-3.7%
Diluted EPS	\$1.37	\$1.38	-0.7%	\$1.42	\$1.40	+1.4%

# Q2 Professional Segment Results

## NET SALES

(in millions)

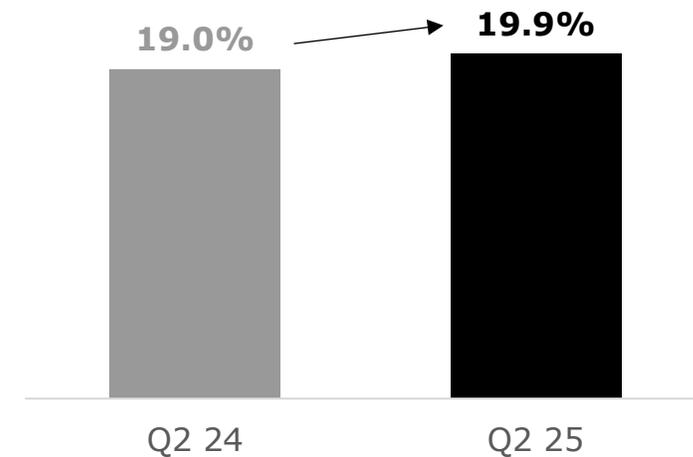
**+0.8%**



**Increase** was primarily driven by **higher shipments of golf and grounds products**, partially offset by **lower shipments of underground and specialty construction products** and the prior year construction equipment **dealer divestitures**

## SEGMENT EARNINGS MARGIN

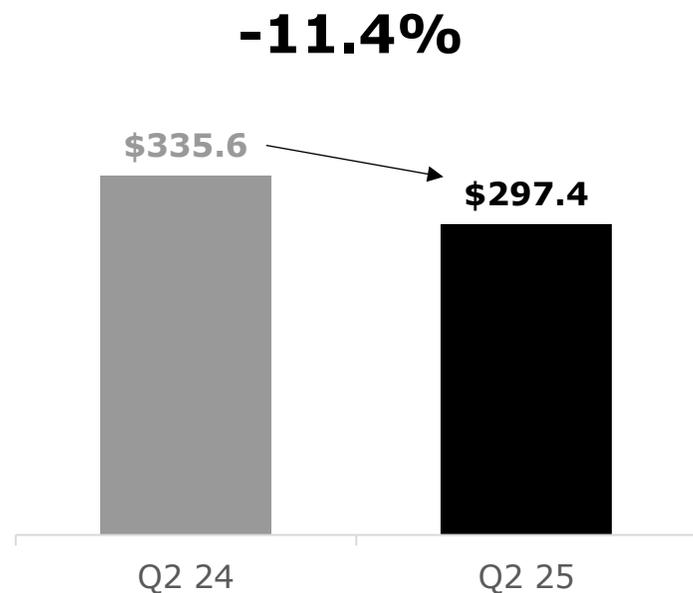
**+90 bps**



**Increase** was primarily due to **product mix**, and **productivity improvements**, partially offset by **higher material and manufacturing costs**

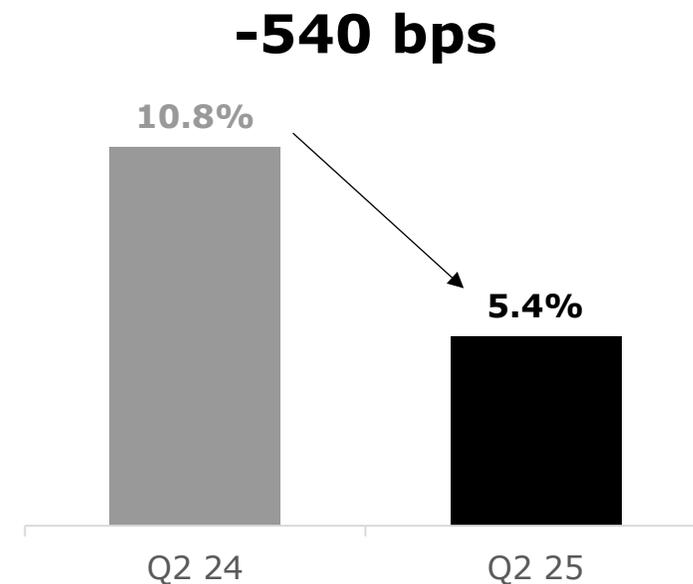
# Q2 Residential Segment Results

## NET SALES (in millions)



**Decrease** was primarily driven by **lower shipments** of **walk power mowers, zero-turn mowers, and portable power products**, as well as the prior year **Pope Products divestiture**, partially offset by **higher shipments** of **snow products** and **lower sales promotions and incentives**

## SEGMENT EARNINGS MARGIN

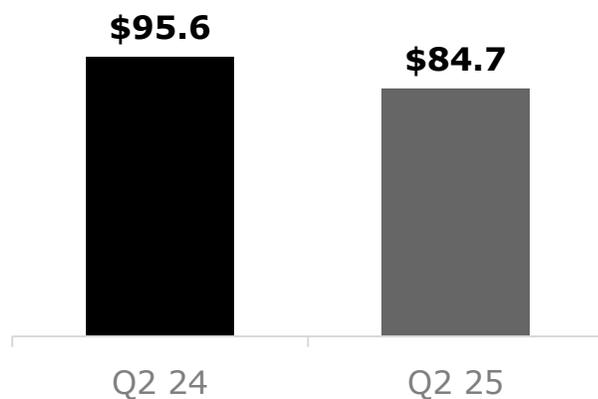


**Decrease** was largely driven by **higher material, manufacturing, and freight costs, lower net sales volume, and inventory valuation adjustments**, partially offset by **productivity improvements and lower sales promotions and incentives**

# Strong Balance Sheet and Resilient Free Cash Flow

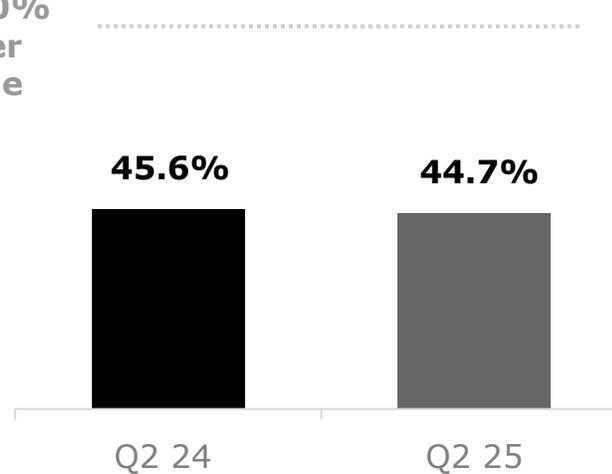
## Free Cash Flow\* (Six months ended)

In millions



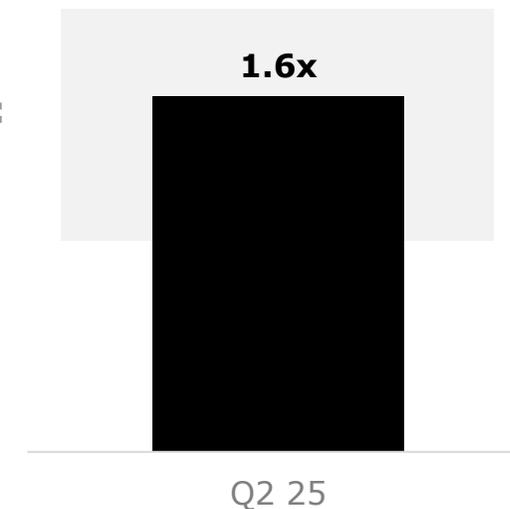
## Free Cash Flow Conversion\* (Six months ended)

Goal:  
100%  
over  
time



## Leverage Ratio\* (Trailing twelve months)

Target  
Range:  
1.0x-  
2.0x



**Free cash flow conversion similar compared to last year. As is typical, we expect the majority of our operating cash flow to be generated in the second half of the fiscal year.**

# Effective Capital Deployment

## Consistent Priorities

1

Capital expenditures supporting organic growth with high returns

2

Strategic approach to acquisitions with disciplined process and proven track record

3

Established dividend with increases commensurate with earnings growth

4

Excess cash deployed to repurchase shares with a goal to at least offset dilution over time

## 2025 YTD Actions

Invested ~\$38M to fund new product investments, advanced manufacturing technologies, and capacity for growth within existing manufacturing footprint

Announced acquisition of ProKASRO Services USA in the attractive trenchless underground construction space

Returned \$76.3M to shareholders via regular dividends, representing a payout increase of 6% year-over-year

Returned \$200M to shareholders via share repurchases

**Disciplined capital allocation driving long-term value for all stakeholders**

# Q3 2025 Outlook Commentary

(All on a year-over-year basis unless noted)

Net Sales Growth (%)	Total Company Flat to Slightly Up
	Professional Segment Up Mid Single-Digits
	Residential Segment Down High-Teens
Adjusted Operating Earnings Margin* (%)	Total Company Similar
Segment Earnings Margin (%)	Professional Segment Slightly Higher
	Residential Segment Lower
Adjusted Diluted EPS* (\$)	Slightly Higher



# Updated Full-Year 2025 Guidance

	Guidance as of March 6, 2025	Updated Guidance as of June 5, 2025
Net Sales Growth (%)	Up 0% to 1%	<b>Flat to down 3%</b>
Adjusted Gross Margin	Higher than 2024	Higher than 2024
Adjusted Operating Earnings Margin* (%)	Higher than 2024	Higher than 2024
Adjusted Diluted EPS* (\$)	\$4.25 to \$4.40	<b>\$4.15 to \$4.30</b>
Capital Expenditures (\$)	~\$100M	~\$100M
Depreciation & Amortization (\$)	\$125M to \$135M	\$125M to \$135M
Interest Expense	~\$54M	<b>~\$59M</b>
Adjusted Effective Tax Rate* (%)	~20%	<b>~19%</b>
Free Cash Flow (FCF) Conversion* (%)	~100%	~100%





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# APPENDIX



# Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures, which are not calculated or presented in accordance with U.S. GAAP, as information supplemental and in addition to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP. The non-GAAP financial measures included within this presentation, as applicable, consist of gross profit, gross margin, operating earnings, operating earnings margin, earnings before income taxes, net earnings, net earnings per diluted share and the effective tax rate, each as adjusted, as well as free cash flow, free cash flow conversion percentage, and leverage ratio.

Management believes that the presentation of these non-GAAP measures provides useful information to investors and that these measures may assist investors in evaluating our core operational performance and liquidity.

This Appendix includes a reconciliation of the historical non-GAAP financial measures used in the presentation to the most directly historical comparable GAAP financial measures.

Reconciliations of forward-looking non-GAAP guidance to projected U.S. GAAP guidance is not provided because it would require an unreasonable effort to do so.

Non-GAAP financial measures have limitations as analytical tools, and should not be considered in isolation, or as a substitute for, our financial measures prepared in accordance with U.S. GAAP.

Investors should note that any non-GAAP financial measure we use may not be the same non-GAAP financial measure, and may not be calculated in the same manner, as that of other companies.

**THE TORO COMPANY AND SUBSIDIARIES**  
**Reconciliation of Non-GAAP Financial Measures (Unaudited)**  
**(Dollars in millions, except per-share data)**

The following table provides a reconciliation of the non-GAAP financial performance measures used in this press release and our related earnings call to the most directly comparable measures calculated and reported in accordance with U.S. GAAP for the three and six month periods ended May 2, 2025 and May 3, 2024:

	Three Months Ended		Six Months Ended	
	May 2, 2025	May 3, 2024	May 2, 2025	May 3, 2024
Gross profit	\$ 436.7	\$ 453.0	\$ 772.3	\$ 797.5
Productivity initiative <sup>1</sup>	3.7	—	7.5	—
Adjusted gross profit	\$ 440.4	\$ 453.0	\$ 779.8	\$ 797.5
Gross margin	33.1 %	33.6 %	33.4 %	33.9 %
Productivity initiative <sup>1</sup>	0.3 %	— %	0.3 %	— %
Adjusted gross margin	33.4 %	33.6 %	33.7 %	33.9 %
Operating earnings	\$ 174.8	\$ 187.6	\$ 252.6	\$ 276.2
Productivity initiative <sup>1</sup>	5.6	4.4	21.8	8.3
Adjusted operating earnings	\$ 180.4	\$ 192.0	\$ 274.4	\$ 284.5
Operating earnings margin	13.3 %	13.9 %	10.9 %	11.7 %
Productivity initiative <sup>1</sup>	0.4 %	0.3 %	1.0 %	0.4 %
Adjusted operating earnings margin	13.7 %	14.2 %	11.9 %	12.1 %

**THE TORO COMPANY AND SUBSIDIARIES**  
**Reconciliation of Non-GAAP Financial Measures (Unaudited)**  
**(Dollars in millions, except per-share data)**

The following table provides a reconciliation of the non-GAAP financial performance measures used in this press release and our related earnings call to the most directly comparable measures calculated and reported in accordance with U.S. GAAP for the three and six month periods ended May 2, 2025 and May 3, 2024:

	Three Months Ended		Six Months Ended	
	May 2, 2025	May 3, 2024	May 2, 2025	May 3, 2024
Earnings before income taxes	\$ 168.7	\$ 179.2	\$ 234.8	\$ 259.3
Productivity initiative <sup>1</sup>	5.7	4.4	22.2	8.3
Adjusted earnings before income taxes	\$ 174.4	\$ 183.6	\$ 257.0	\$ 267.6
Income tax provision	\$ 31.9	\$ 34.4	\$ 45.2	\$ 49.6
Productivity initiative <sup>1</sup>	0.9	0.9	4.2	1.7
Tax impact of share-based compensation <sup>2</sup>	(0.2)	1.0	(0.1)	2.5
Adjusted income tax provision	\$ 32.6	\$ 36.3	\$ 49.3	\$ 53.8
Net earnings	\$ 136.8	\$ 144.8	\$ 189.6	\$ 209.7
Productivity initiative, net of tax <sup>1</sup>	4.8	3.5	18.0	6.6
Tax impact of share-based compensation <sup>2</sup>	0.2	(1.0)	0.1	(2.5)
Adjusted net earnings	\$ 141.8	\$ 147.3	\$ 207.7	\$ 213.8
Net earnings per diluted share	\$ 1.37	\$ 1.38	\$ 1.88	\$ 2.00
Productivity initiative, net of tax <sup>1</sup>	0.05	0.03	0.18	0.06
Tax impact of share-based compensation <sup>2</sup>	—	(0.01)	—	(0.02)
Adjusted net earnings per diluted share	\$ 1.42	\$ 1.40	\$ 2.06	\$ 2.04

**THE TORO COMPANY AND SUBSIDIARIES**  
**Reconciliation of Non-GAAP Financial Measures (Unaudited)**  
**(Dollars in millions, except per-share data)**

The following table provides a reconciliation of the non-GAAP financial performance measures used in this press release and our related earnings call to the most directly comparable measures calculated and reported in accordance with U.S. GAAP for the three and six month periods ended May 2, 2025 and May 3, 2024:

	Three Months Ended		Six Months Ended	
	May 2, 2025	May 3, 2024	May 2, 2025	May 3, 2024
Effective tax rate	18.9 %	19.2 %	19.3 %	19.1 %
Productivity initiative <sup>1</sup>	(0.1)%	— %	— %	— %
Tax impact of share-based compensation <sup>2</sup>	(0.1)%	0.6 %	(0.1)%	1.0 %
<b>Adjusted effective tax rate</b>	<b>18.7 %</b>	<b>19.8 %</b>	<b>19.2 %</b>	<b>20.1 %</b>

<sup>1</sup> In the first quarter of fiscal 2024, the company launched the "Amplifying Maximum Productivity" or AMP initiative. The company considered the nature, frequency, and scale of this initiative compared to prior productivity initiatives when determining that the expenses associated with AMP, unlike prior productivity initiatives, are not common, normal, recurring operating expenses and are not representative of the company's ongoing business operations. Productivity initiative charges for the three and six month periods ended May 2, 2025 and May 3, 2024 primarily represent severance and termination benefits, facility exit costs, compensation for fully-dedicated AMP personnel, third-party consulting costs, and product-line exit costs.

<sup>2</sup> The accounting standards codification guidance governing employee stock-based compensation requires that any excess or deficient 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 three and six month periods ended May 2, 2025 and May 3, 2024.

## Reconciliation of Non-GAAP Liquidity Measures

The company defines free cash flow as net cash provided by operating activities less purchases of property, plant and equipment. Free cash flow conversion percentage represents free cash flow as a percentage of net earnings. The company considers free cash flow and free cash flow conversion percentage to be non-GAAP liquidity measures that provide useful information to management and investors about the company's 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 the company's Consolidated Balance Sheets, after reinvesting in necessary capital expenditures required to maintain and grow the company's business.

The following table provides a reconciliation of non-GAAP 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 six month periods ended May 2, 2025 and May 3, 2024:

(Dollars in millions)	Six Months Ended	
	May 2, 2025	May 3, 2024
Net cash provided by operating activities	\$ 123.1	\$ 135.1
Less: Purchases of property, plant and equipment	38.4	39.5
Free cash flow	\$ 84.7	\$ 95.6
Net earnings	\$ 189.6	\$ 209.7
Free cash flow conversion percentage	44.7 %	45.6 %

# Leverage Ratio

(\$ millions)	Q3 24	Q4 24	Q1 25	Q2 25	Total
<b>Gross Debt</b>	<b>\$991.9</b>	<b>\$921.8</b>	<b>\$1,106.9</b>	<b>\$1,097.1</b>	<b>\$1,097.1</b>
<b>Earnings Before Income Taxes</b>	<b>\$144.2</b>	<b>\$109.3</b>	<b>\$66.1</b>	<b>\$168.7</b>	<b>\$488.3</b>
Interest Expense	\$14.5	\$14.5	\$15.0	\$15.8	\$59.8
Depreciation and Amortization	\$30.9	\$36.4	\$32.1	\$31.5	\$130.9
<b>EBITDA</b>	<b>\$189.6</b>	<b>\$160.2</b>	<b>\$113.2</b>	<b>\$216.0</b>	<b>\$679.0</b>
<b>Leverage Ratio</b>					<b>1.6x</b>