

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

THE TORO
COMPANY

THE TORO COMPANY

Q1 2025 EARNINGS RELEASE

March 6, 2025





Safe Harbor

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," "forward," "future," "goal," "guidance," "improve," "may," "outlook," "plan," "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, supply chain stabilization 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".

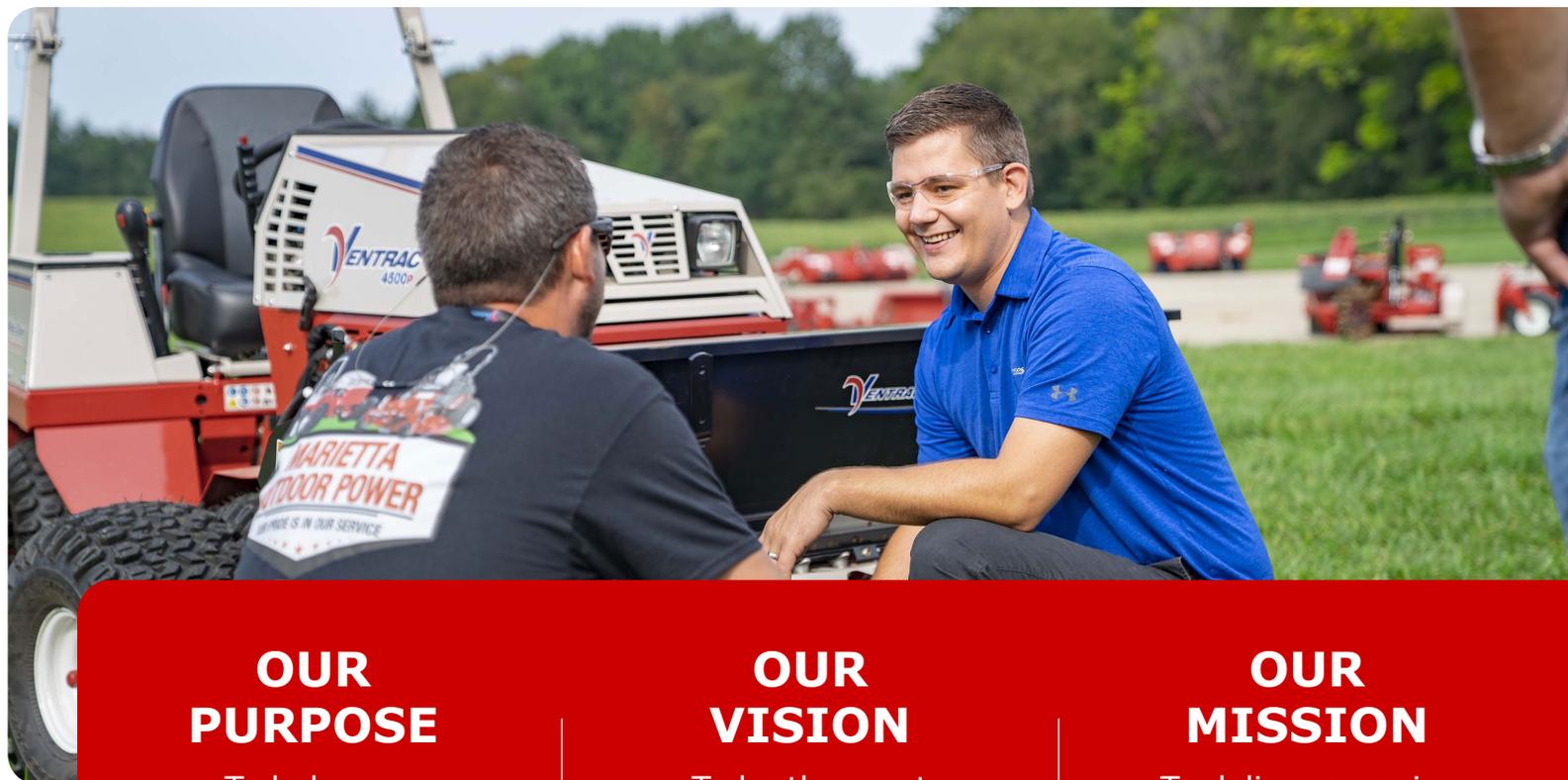
All financial results contained within this presentation are based on fiscal quarter ending January 31 figures



Overview

The Toro Company:

Built on Strong Relationships and Our Legacy of Excellence



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.





Investment Thesis

1

Well-positioned to win with deep expertise, leading market share positions, and best-in-class distribution and service networks – all of which create high barriers to entry

2

Attractive end markets, customer-centric innovation, and steady replacement cycles drive future organic growth

3

Building on a foundation of demonstrated consistent financial performance and cash flow generation

4

Financial headroom for strategic investments and disciplined approach to capital allocation enables delivery of value to all stakeholders



Q1 2025 Key Messages

1

Delivered first-quarter *adjusted diluted EPS that exceeded our expectations despite below-average snowfall totals in key markets, driven by our disciplined execution, the continued momentum of our Amplifying Maximum Productivity (“AMP”) initiative, and improved professional segment profitability

2

Successfully increased output for golf and grounds products to address sustained demand and elevated order backlog, while also delivering on strong channel orders for our new innovative lineup of professional-grade zero turn mowers

3

Repurchased \$100 million of company stock, reflecting our improved cash flow and confidence in our ability to deliver positive results into the future

4

Maintained full-year fiscal 2025 guidance of *adjusted diluted EPS in the range of \$4.25 to \$4.40; considers incremental China tariffs from February; excludes impacts of all other potential new tariffs



Q1 2025 Financial Highlights

(Year-over-year comparisons below)

-0.7%

NET SALES
DECLINE

Decrease primarily driven by lower shipments of compact utility loaders, snow products and portable power products, and the prior year Pope Products divestiture, partially offset by increased shipments of golf and grounds products and lawn care equipment

-30 bps

ADJUSTED GROSS
MARGIN*

Decrease largely due to higher material and manufacturing costs, partially offset by productivity improvements

+20 bps

ADJUSTED OPERATING
EARNINGS MARGIN*

Increase was driven by lower marketing costs, in addition to productivity gains, which were partially offset by higher material, manufacturing, and freight costs

Professional Segment Performance and AMP Drove Solid Results

Q1 2025 Other Notable Highlights



Compelling Suite of Robotic Solutions at GCSAA Show

Innovation leadership was apparent, including new Toro® Turf Pro™ and Range Pro™ autonomous solutions, to provide quality results with less labor



Acquisition in Trenchless Underground Construction

Acquisition of ProKASRO Services USA partners us with proven brand leader in Europe in fast-growing space; complements current portfolio



Exclusive Partnership with TerraRad Announced

First-of-its-kind, data-driven soil moisture sensing and irrigation control technology, for optimal results with less water and operational cost



YTD \$100M in Share Repurchases

Reflects improved cash flow and confidence in driving positive near- and long-term financial results

The Toro Company is a leading provider of products and solutions

for the outdoor environment, including:

Turf & landscape maintenance

Snow & ice management

Underground utility construction

Rental/specialty construction

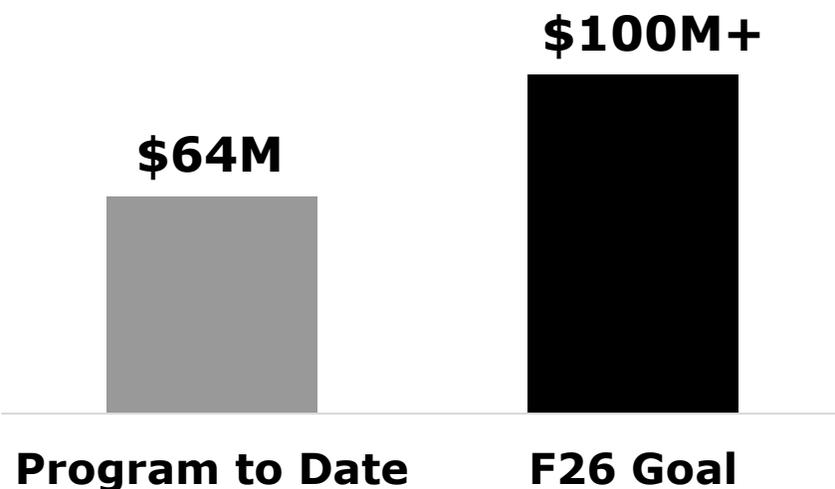
Irrigation

Outdoor lighting solutions

Amplifying Maximum Productivity (“AMP”)

Significant productivity initiative expected to deliver at least \$100M incremental annual cost savings by 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

\$49M of run-rate savings achieved in Q1 2025... on track to achieve \$100M by 2027



Financials

Q1 Consolidated Results

Highlighted by Professional segment growth and profitability improvement

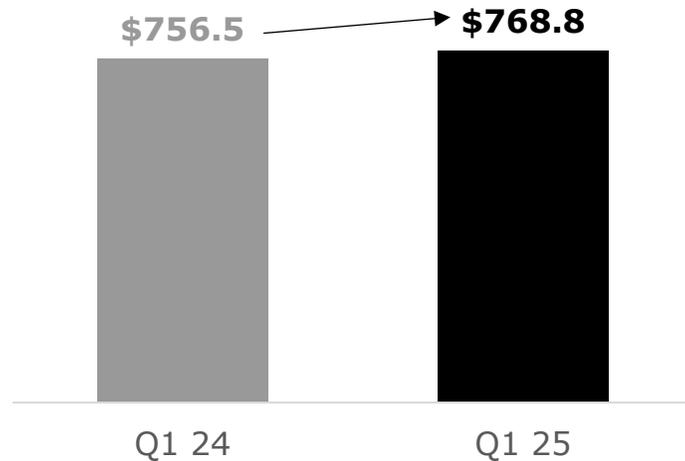
	REPORTED			ADJUSTED*		
	Q1 25	Q1 24	Change from Q1 24	Q1 25	Q1 24	Change from Q1 24
Net Sales	\$995.0M	\$1,001.9M	-0.7%	\$995.0M	\$1,001.9M	-0.7%
Gross Profit (\$)	\$335.6M	\$344.5M	-2.6%	\$339.4M	\$344.5M	-1.5%
Gross Margin (% of Net Sales)	33.7%	34.4%	-70 bps	34.1%	34.4%	-30 bps
Operating Earnings (\$)	\$77.8M	\$88.6M	-12.2%	\$94.0M	\$92.5M	+1.6%
Operating Earnings Margin (% of Net Sales)	7.8%	8.8%	-100 bps	9.4%	9.2%	+20 bps
Earnings Before Income Taxes	\$66.1M	\$80.1M	-17.5%	\$82.6M	\$84.0M	-1.7%
Net Earnings	\$52.8M	\$64.9M	-18.6%	\$65.9M	\$66.5M	-0.9%
Diluted EPS	\$0.52	\$0.62	-16.1%	\$0.65	\$0.64	+1.6%

Q1 Professional Segment Results

NET SALES

(in millions)

+1.6%

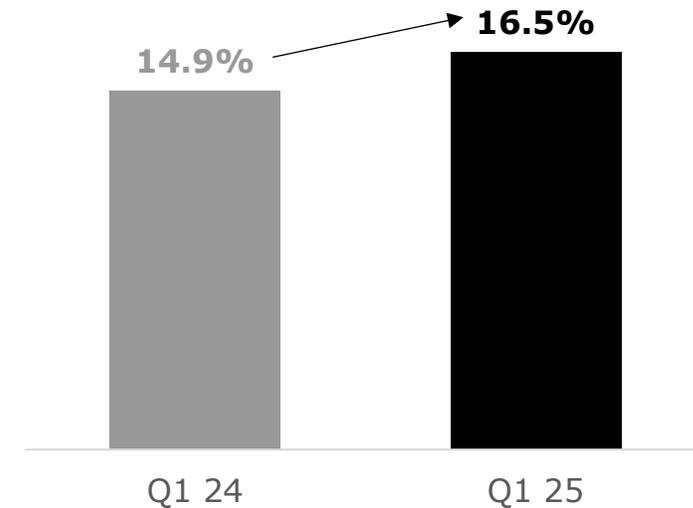


Increase was primarily driven by **higher shipments** of **golf** and **grounds products**, and **zero turn mowers**, along with **net price realization**, partially offset by **lower shipments** of **compact utility loaders**

SEGMENT EARNINGS RATE

(as a percentage of net sales)

+160 bps

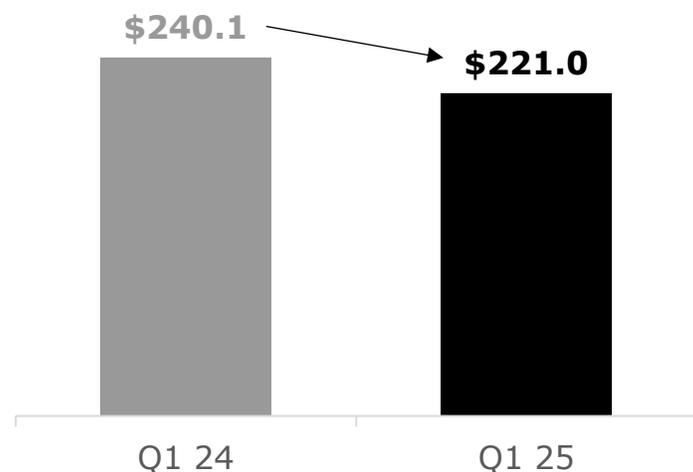


Increase was primarily due to **net sales leverage**, **product mix**, and **productivity improvements**, partially offset by **higher material, manufacturing, and freight costs**

Q1 Residential Segment Results

NET SALES (in millions)

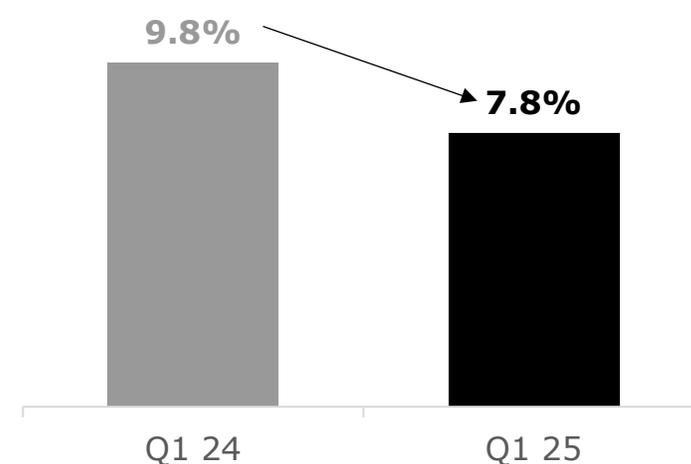
-8.0%



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

SEGMENT EARNINGS RATE (as a percentage of net sales)

-200 bps

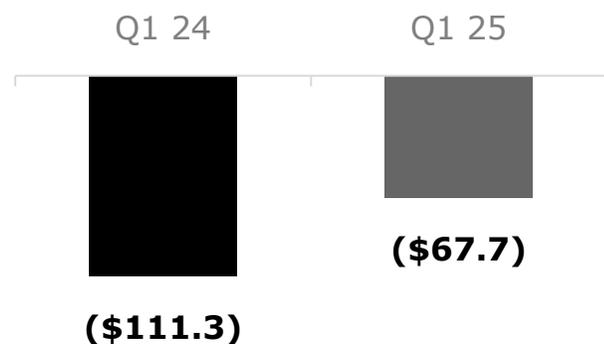


Decrease was largely driven by **higher material**, **manufacturing**, and **freight costs**, **increased sales promotions** and **incentives**, and **product mix**, partially offset by **productivity improvements**

Strong Balance Sheet and Resilient Free Cash Flow

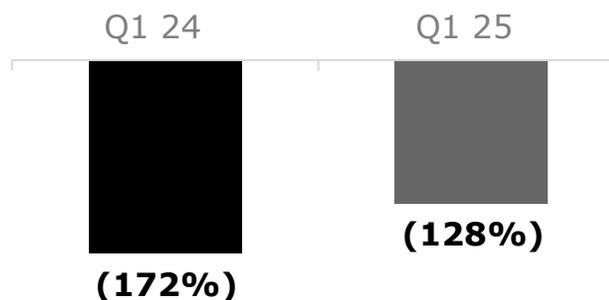
Free Cash Flow* (Three months ended)

In millions



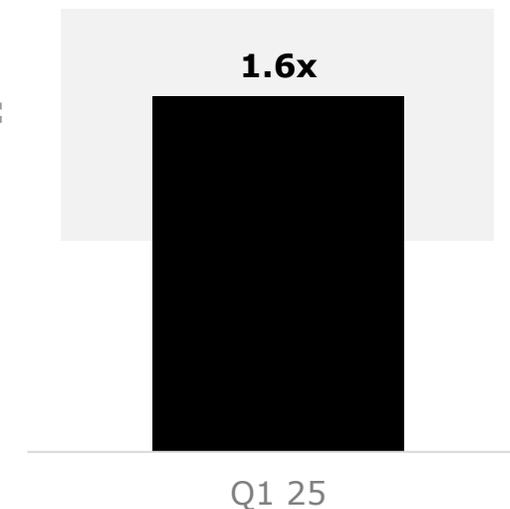
Free Cash Flow Conversion* (Three months ended)

Goal:
100%
over
time



Gross Debt to EBITDA Ratio*

Target
Range:
1.0x-
2.0x



Free cash flow improved compared to last year, and was a use of cash, as expected given normal seasonal flow. 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 ~\$19M 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 \$38.5M to shareholders via regular dividends, representing a payout increase of 6% year-over-year

Returned \$100M to shareholders via share repurchases

Disciplined capital allocation driving long-term value for all stakeholders

Q2 2025 Outlook Commentary**

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



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

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

** Excludes all incremental tariffs introduced year to date, with the exception of the additional tariffs on China imports that came into effect in February

Full-Year 2025 Guidance***

**Maintained Guidance Initially
Introduced on December 18,
2024**

Net Sales Growth (%)	Up 0% to 1%
Adjusted Gross Margin	Higher than 2024
Adjusted Operating Earnings Margin* (%)	Higher than 2024
Adjusted Diluted EPS* (\$)	\$4.25 to \$4.40
Capital Expenditures (\$)	~\$100M
Depreciation & Amortization (\$)	\$125M to \$135M
Interest Expense	~\$54M
Adjusted Effective Tax Rate* (%)	~20%
Free Cash Flow (FCF) Conversion** (%)	~100%

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

**FCF Conversion Percentage = Free Cash Flow/GAAP Net Earnings

*** Excludes all incremental tariffs introduced year to date, with the exception of the additional tariffs on China imports that came into effect in February

THE TORO COMPANY



Well Positioned to Win

- 1 **Leadership** in attractive end-markets
- 2 **Brand heritage** delivering excellence and **brand recognition** creating trust
- 3 **Innovation synergies** leveraged across product categories
- 4 **Deep long-term** customer and channel **relationships**
- 5 **Disciplined** execution
- 6 **Strong** balance sheet





THE TORO
COMPANY



APPENDIX

Order Backlog

- 1 Order backlog increased sequentially from the ~\$1.2B at the end of 2024, due to normal seasonal trends
- 2 Remains elevated compared to historical levels, driven by sustained demand in underground construction, and golf and grounds businesses
- 3 Order backlog has improved from ~\$2B at the end of 2023, driven by our success in driving additional output within our existing manufacturing footprint
- 4 For specialty construction, which is primarily compact utility loaders, supply and demand came into balance during 2024, as expected; with this, order backlog for these products normalized during 2024
- 5 For underground construction and golf/grounds businesses, we continue to expect order backlog will be closer to normal by the end of 2025

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

	Three Months Ended	
	January 31, 2025	February 2, 2024
Net sales	\$ 995.0	\$ 1,001.9
Cost of sales	659.4	657.4
Gross profit	335.6	344.5
Gross margin	33.7 %	34.4 %
Selling, general and administrative expense	257.8	255.9
Operating earnings	77.8	88.6
Interest expense	(15.0)	(16.2)
Other income, net	3.3	7.7
Earnings before income taxes	66.1	80.1
Income tax provision	13.3	15.2
Net earnings	\$ 52.8	\$ 64.9
Basic net earnings per share of common stock	\$ 0.52	\$ 0.62
Diluted net earnings per share of common stock	\$ 0.52	\$ 0.62
Weighted-average number of shares of common stock outstanding — Basic	101.3	104.4
Weighted-average number of shares of common stock outstanding — Diluted	101.7	104.7

Segment Data (Unaudited)
(Dollars in millions)

	Three Months Ended	
	January 31, 2025	February 2, 2024
Segment net sales		
Professional	\$ 768.8	\$ 756.5
Residential	221.0	240.1
Other	5.2	5.3
Total net sales*	\$ 995.0	\$ 1,001.9
*Includes international net sales of:	\$ 211.4	\$ 205.0

	Three Months Ended	
	January 31, 2025	February 2, 2024
Segment earnings (loss) before income taxes		
Professional	\$ 127.2	\$ 112.8
Residential	17.2	23.5
Other	(78.3)	(56.2)
Total segment earnings before income taxes	\$ 66.1	\$ 80.1

THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in millions)

	January 31, 2025	February 2, 2024	October 31, 2024
ASSETS			
Cash and cash equivalents	\$ 171.3	\$ 198.5	\$ 199.5
Receivables, net	494.3	489.1	459.7
Inventories, net	1,143.1	1,177.1	1,038.9
Prepaid expenses and other current assets	87.5	101.8	66.8
Total current assets	1,896.2	1,966.5	1,764.9
Property, plant, and equipment, net	637.8	639.2	644.8
Goodwill	449.8	451.2	450.3
Other intangible assets, net	490.6	531.5	498.7
Right-of-use assets	113.0	121.8	114.5
Investment in finance affiliate	48.0	48.4	49.2
Deferred income taxes	46.2	20.3	45.0
Other assets	15.1	22.2	15.4
Total assets	\$ 3,696.7	\$ 3,801.1	\$ 3,582.8

THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in millions)

	January 31, 2025	February 2, 2024	October 31, 2024
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	\$ 15.0	\$ 6.8	\$ 10.0
Accounts payable	447.1	421.8	452.7
Accrued liabilities	511.3	474.5	493.0
Short-term lease liabilities	19.7	18.8	20.3
Total current liabilities	993.1	921.9	976.0
Long-term debt, less current portion	1,091.9	1,179.8	911.8
Long-term lease liabilities	98.3	108.4	99.1
Deferred income taxes	0.5	0.4	0.5
Other long-term liabilities	45.3	42.7	43.5
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	100.3	104.0	101.5
Retained earnings	1,414.5	1,478.9	1,496.4
Accumulated other comprehensive loss	(47.2)	(35.0)	(46.0)
Total stockholders' equity	1,467.6	1,547.9	1,551.9
Total liabilities and stockholders' equity	\$ 3,696.7	\$ 3,801.1	\$ 3,582.8

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

	Three Months Ended	
	January 31, 2025	February 2, 2024
Cash flows from operating activities:		
Net earnings	\$ 52.8	\$ 64.9
Adjustments to reconcile net earnings to net cash used in operating activities:		
Non-cash income from finance affiliate	(4.6)	(5.0)
Distributions from finance affiliate, net	5.8	7.2
Depreciation of property, plant, and equipment	24.2	22.0
Amortization of other intangible assets	7.9	8.7
Stock-based compensation expense	4.4	8.4
Other	0.8	1.1
Changes in operating assets and liabilities, net of the effect of acquisitions:		
Receivables, net	(36.6)	(80.2)
Inventories, net	(107.2)	(86.4)
Other assets	(13.4)	6.5
Accounts payable	(1.3)	(10.3)
Other liabilities	18.6	(29.1)
Net cash used in operating activities	(48.6)	(92.2)

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

	Three Months Ended	
	January 31, 2025	February 2, 2024
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(19.1)	(19.1)
Net cash used in investing activities	(19.1)	(19.1)
Cash flows from financing activities:		
Net borrowings under the revolving credit facility	185.0	155.0
Proceeds from exercise of stock options	0.7	1.5
Payments of withholding taxes for stock awards	(1.6)	(2.2)
Common stock repurchases	(100.0)	—
Dividends paid on common stock	(38.5)	(37.6)
Other	(1.0)	(2.6)
Net cash provided by financing activities	44.6	114.1
Effect of exchange rates on cash and cash equivalents	(5.1)	2.6
Net (decrease) increase in cash and cash equivalents	(28.2)	5.4
Cash and cash equivalents as of the beginning of the fiscal period	199.5	193.1
Cash and cash equivalents as of the end of the fiscal period	\$ 171.3	\$ 198.5



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, 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, return on average invested capital and return on average equity.

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 cash flows, as a measure of our 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 month periods ended January 31, 2025 and February 2, 2024:

	Three Months Ended	
	January 31, 2025	February 2, 2024
Gross profit	\$ 335.6	\$ 344.5
Productivity initiative ¹	3.8	—
Adjusted gross profit	\$ 339.4	\$ 344.5
Gross margin	33.7 %	34.4 %
Productivity initiative ¹	0.4 %	— %
Adjusted gross margin	34.1 %	34.4 %
Operating earnings	\$ 77.8	\$ 88.6
Productivity initiative ¹	16.2	3.9
Adjusted operating earnings	\$ 94.0	\$ 92.5
Operating earnings margin	7.8 %	8.8 %
Productivity initiative ¹	1.6 %	0.4 %
Adjusted operating earnings margin	9.4 %	9.2 %

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 month periods ended January 31, 2025 and February 2, 2024:

	Three Months Ended	
	January 31, 2025	February 2, 2024
Earnings before income taxes	\$ 66.1	\$ 80.1
Productivity initiative ¹	16.5	3.9
Adjusted earnings before income taxes	\$ 82.6	\$ 84.0
Income tax provision	\$ 13.3	\$ 15.2
Productivity initiative ¹	3.3	0.8
Tax impact of share-based compensation ²	0.1	1.5
Adjusted income tax provision	\$ 16.7	\$ 17.5
Net earnings	\$ 52.8	\$ 64.9
Productivity initiative, net of tax ¹	13.2	3.1
Tax impact of share-based compensation ²	(0.1)	(1.5)
Adjusted net earnings	\$ 65.9	\$ 66.5
Net earnings per diluted share	\$ 0.52	\$ 0.62
Productivity initiative, net of tax ¹	0.13	0.03
Tax impact of share-based compensation ²	—	(0.01)
Adjusted net earnings per diluted share	\$ 0.65	\$ 0.64

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 month periods ended January 31, 2025 and February 2, 2024:

	Three Months Ended	
	January 31, 2025	February 2, 2024
Effective tax rate	20.1 %	19.0 %
Tax impact of share-based compensation ²	0.1 %	1.8 %
Adjusted effective tax rate	20.2 %	20.8 %

¹ 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 month periods ended January 31, 2025 and February 2, 2024 primarily represent severance and termination benefits, third-party consulting costs, facility exit costs, compensation for fully-dedicated AMP personnel, and product-line exit costs.

² 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 month periods ended January 31, 2025 and February 2, 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 three month periods ended January 31, 2025 and February 2, 2024:

(Dollars in millions)	Three Months Ended	
	January 31, 2025	February 2, 2024
Net cash used in operating activities	\$ (48.6)	\$ (92.2)
Less: Purchases of property, plant and equipment	19.1	19.1
Free cash flow	\$ (67.7)	\$ (111.3)
Net earnings	\$ 52.8	\$ 64.9
Free cash flow conversion percentage	(128.2)%	(171.5)%

Gross Debt to EBITDA Ratio

(\$ millions)	Q2 24	Q3 24	Q4 24	Q1 25	Total
Gross Debt	\$1,016.8	\$991.9	\$921.8	\$1,106.9	\$1,106.9
Earnings Before Income Taxes	\$179.2	\$144.2	\$109.3	\$66.1	\$498.8
Interest Expense	\$16.7	\$14.5	\$14.5	\$15.0	\$60.7
Depreciation and Amortization	\$30.2	\$30.9	\$36.4	\$32.1	\$129.6
EBITDA	\$226.1	\$189.6	\$160.2	\$113.2	\$689.1
Leverage Ratio					1.6x