Snap-On Inc. (SNA)

Updated May 17th, 2025, by Josh Arnold

Key Metrics

Current Price:	$332	**5 Year CAGR Estimate:**	6.2%	**Market Cap:**	$17.4 B
Fair Value Price:	$281	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	05/20/25
% Fair Value:	118%	**5 Year Valuation Multiple Estimate:**	-3.3%	**Dividend Payment Date:**	06/10/25
Dividend Yield:	2.6%	**5 Year Price Target**	$393	**Years Of Dividend Growth:**	15
Dividend Risk Score:	B	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Snap-On Inc. was founded in the early 1920's and since that time, has grown from a fledgling direct sales distributor of sockets to a full-service, global distributor of a wide array of common and specialty tools, diagnostics equipment, repair information and system solutions instruments. Snap-On also operates a financial services business that finances its customers' purchases in-house. The company's market capitalization is $17.4 billion, and it should generate around $4.7 billion in revenue this year.

Snap-On posted first quarter earnings on April 17th, 2025, and results were worse than expected on both the top and bottom lines. Earnings-per-share came to $4.51, which missed by 31 cents. Revenue was similarly weak, declining 3.4% year-over-year to $1.14 billion, and missing estimates by $60 million. The company noted first quarter sales were negatively impacted by a forex headwind of $14 million.

Tools organic sales fell 6.8%, driven by a decline in the US that was partially offset by strength internationally. Operating margin for the segment was 20% of revenue. The C&I group saw a 2.9% decline in organic sales, but achieved record Q1 operating margin of 15.5% of revenue. RS&I sales were up 3.7% organically, driven by software and diagnostics, as well as all-time high operating margin of 25.7%.

Consolidated operating earnings before financial services revenue was $243 million, or 21.3% of revenue. Financial services revenue was up to $102 million.

We've reduced our estimate for this year to $18.70 in adjusted earnings-per-share as management's tone on economic headwinds are not exactly encouraging.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$8.10	$9.20	$10.12	$11.81	$12.41	$11.63	$14.92	$16.82	$18.76	$19.19	***$18.70***	***$26.23***
DPS	$2.20	$2.54	$2.95	$3.41	$3.93	$4.47	$5.11	$5.88	$6.72	$7.72	***$8.56***	***$13.17***
Shares[1]	58	58	57	57	55	54	54	53	53	53	***52***	***50***

Except for 2020, Snap-On has produced materially higher earnings every year in the past decade. The company's constant focus on acquisitions, as well as its own organic revenue growth in concert with a rapidly growing financial services business, has created a growth profile that is tough to rival. The company continues to buy back its stock as well, albeit in small amounts, providing another tailwind for earnings-per-share. Indeed, it has managed to compound earnings at an average rate of about 10% annually in the past decade.

However, we are forecasting a 7% annual growth rate going forward as Snap-On grapples with its already-sizable scale, making further revenue and margin growth more difficult. We note that the company returned to growth from the pandemic slowdown more quickly than anticipated, however, and it appears Snap-On may be back on its prior trajectory from before the pandemic. Revenue growth for 2025 looks like it may be challenging, and we're now forecasting lower earnings potential for this year after one quarter.

[1] Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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The dividend should keep increasing at high rates as the payout ratio is still low. Snap-On produces more cash than it can use to profitably invest in the business, so shareholders should see the benefit. We see the dividend rising to potentially more than $13 per share annually by 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.1	17.1	16.3	13.7	12.9	12.7	14.6	13.6	15.4	17.7	**17.8**	**15.0**
Avg. Yld.	1.4%	1.6%	1.8%	2.1%	2.5%	3.0%	2.3%	2.6%	2.3%	2.3%	**2.6%**	**3.3%**

Snap-On's price-to-earnings multiple spent several years in the mid-teens, but in recent years, has been more like 13. Today, shares trade for 17.8 times 2025 earnings, and reiterate our fair value estimate of 15 times earnings. This implies a modest negative impact from the valuation in the coming years.

We see the yield rising from 2.6% to 3.3% in the coming years, which is dependent upon the valuation declining back to our estimate of fair value. When coupled with its decent current yield, Snap-On is a nice choice for dividend growth investors, as well as income investors. We think the double-digit growth in the payout of recent years may moderate given the elevated payout ratio, and lower earnings growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	27%	27%	28%	29%	32%	38%	34%	35%	36%	40%	***46%***	***50%***

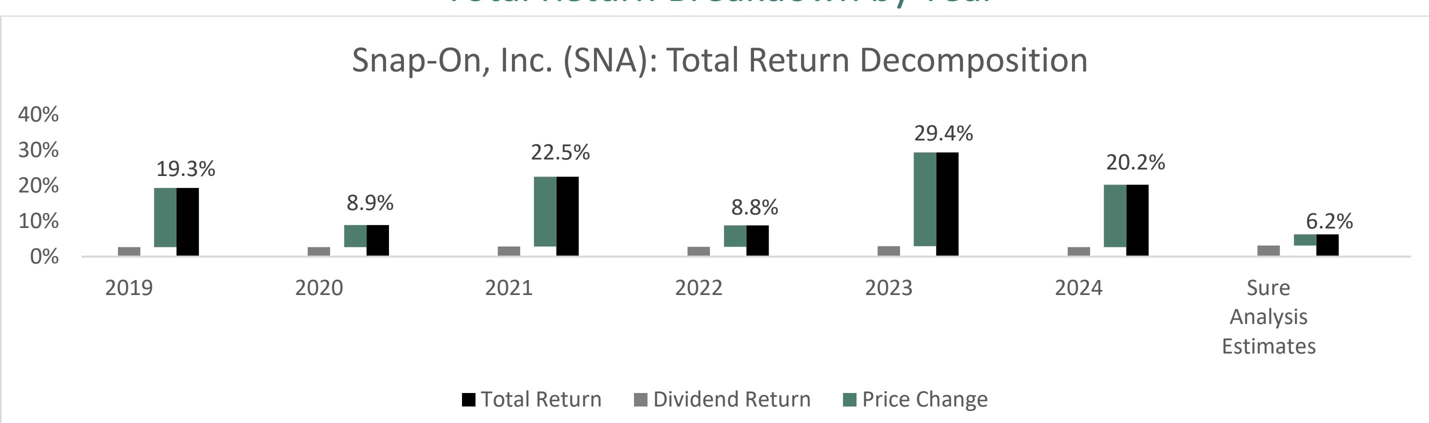
The payout ratio is still manageable and should remain that way unless management decides to ramp up its dividend growth strategy, which we view as unlikely at this point given already-strong growth rates. We see the recent pace of dividend increases likely moderating, and keeping the payout ratio near 50% of earnings. However, we see no risk of Snap-On being able to afford its dividend at any time, even with high rates of dividend increases.

Snap-On's main competitive advantage is in its very broad and deep assortment of all kinds of specialty tools. In addition, its global reach and in-house financing is a unique combination not found elsewhere. The financing business could pose a problem during a recession as customers may become past due on their accounts, so this would be the principal risk for Snap-On during the next economic downturn. Earnings suffered during the Great Recession.

Final Thoughts & Recommendation

Snap-On's recent price action has it overvalued still. We now forecast total annual return potential of 6.2% going forward, consisting of the 2.6% current yield, 7% earnings growth, and a modest headwind from the valuation. We remain at a hold rating on Snap-On, but note that earnings are somewhat at risk this year.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	3593	3712	4000	4070	4068	3,942	4,602	4,842	5,108	4,707
Gross Profit	1819	1908	2042	2100	2090	1,997	2,383	2,447	2,620	2,378
Gross Margin	50.6%	51.4%	51.1%	51.6%	51.4%	50.7%	51.8%	50.5%	51.3%	50.5%
D&A Exp.	83	86	93	94	92	97	105	100	99	98
Operating Profit	765	854	882	956	962	881	1,124	1,207	1,310	1,069
Operating Margin	21.3%	23.0%	22.0%	23.5%	23.7%	22.3%	24.4%	26.9%	25.6%	22.7%
Net Profit	479	546	558	680	694	627	821	912	1,011	1,044
Net Margin	13.3%	14.7%	13.9%	16.7%	17.0%	15.9%	17.8%	20.3%	19.8%	22.2%
Free Cash Flow	427	502	527	674	575	943	897	591	1,059	1,134
Income Tax	221	244	251	214	212	189	247	269	293	304

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4331	4723	5249	5373	5694	6,557	6,760	6,973	7,545	7897
Cash & Equivalents	93	78	92	141	185	923	780	757	1,002	1,361
Accounts Receivable	1010	1071	1181	1211	1325	1,283	682	762	791	816
Inventories	498	531	639	674	760	747	804	1,033	1,006	943
Goodwill & Int. Ass.	985	1080	1178	1135	1158	1,243	1,418	1,321	1,366	1,324
Total Liabilities	1900	2088	2277	2255	2263	2,711	2,556	2,469	2,452	2,480
Accounts Payable	148	171	178	201	199	223	278	287	238	266
Long-Term Debt	880	1010	1187	1132	1150	1,451	1,200	1,201	1,200	1,199
Shareholder's Equity	2413	2617	2954	3099	3409	3,825	4,182	4,481	5,071	5,394
LTD/E Ratio	0.36	0.39	0.40	0.37	0.34	0.38	0.29	0.27	0.24	0.22

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	11.1%	12.1%	11.2%	12.8%	12.5%	10.2%	12.3%	13.3%	13.9%	13.5%
Return on Equity	20.7%	21.7%	20.0%	22.5%	21.3%	17.3%	20.5%	21.0%	21.1%	19.9%
ROIC	14.8%	15.7%	14.3%	16.2%	15.7%	12.7%	15.3%	16.4%	16.9%	16.2%
Shares Out.	58	58	57	57	55	54	54	54	54	54
Revenue/Share	60.80	62.49	68.26	71.04	72.77	71.94	83.67	89.35	94.77	87.99
FCF/Share	7.22	8.45	8.98	11.76	10.29	17.21	16.30	10.90	19.65	21.20

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.