SNAP-ON Inc
Form 10-Q
July 19, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark one)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-7724
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 39-0622040 |
| (State of incorporation) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| 2801 80th Street, Kenosha, Wisconsin | 53143 |
| (Address of principal executive offices) | (Zip code) |

(262) 656-5200
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No x
Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

| Class | Outstanding at July 13, 2018 |
|---|---|
| Common Stock, $1.00 par value | 56,402,181 shares |

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Amounts in millions, except per share data)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2018 | July 1, 2017 | June 30, 2018 | July 1, 2017 |
| Net sales | $954.6 | $921.4 | $1,890.1 | $1,808.5 |
| Cost of goods sold | (467.5) | (458.2) | (931.4) | (897.0) |
| Gross profit | 487.1 | 463.2 | 958.7 | 911.5 |
| Operating expenses | (294.0) | (279.5) | (587.9) | (557.6) |
| Operating earnings before financial services | 193.1 | 183.7 | 370.8 | 353.9 |
| | | | | |
| Financial services revenue | 82.0 | 77.7 | 165.0 | 154.5 |
| Financial services expenses | (24.2) | (23.1) | (50.3) | (47.4) |
| Operating earnings from financial services | 57.8 | 54.6 | 114.7 | 107.1 |
| | | | | |
| Operating earnings | 250.9 | 238.3 | 485.5 | 461.0 |
| Interest expense | (12.0) | (13.0) | (25.6) | (25.7) |
| Other income (expense) – net | (0.6) | (1.9) | 2.2 | (4.3) |
| Earnings before income taxes and equity earnings | 238.3 | 223.4 | 462.1 | 431.0 |
| Income tax expense | (55.8) | (67.3) | (113.4) | (129.9) |
| Earnings before equity earnings | 182.5 | 156.1 | 348.7 | 301.1 |
| Equity earnings, net of tax | 0.2 | 0.7 | 0.8 | 0.8 |
| Net earnings | 182.7 | 156.8 | 349.5 | 301.9 |
| Net earnings attributable to noncontrolling interests | (4.0) | (3.6) | (7.8) | (7.1) |
| Net earnings attributable to Snap-on Incorporated | $178.7 | $153.2 | $341.7 | $294.8 |
| | | | | |
| Net earnings per share attributable to Snap-on Incorporated: | | | | |
| Basic | $3.17 | $2.65 | $6.04 | $5.09 |
| Diluted | 3.12 | 2.60 | 5.93 | 4.98 |
| | | | | |
| Weighted-average shares outstanding: | | | | |
| Basic | 56.4 | 57.8 | 56.6 | 57.9 |
| Effect of dilutive securities | 0.9 | 1.2 | 1.0 | 1.3 |
| Diluted | 57.3 | 59.0 | 57.6 | 59.2 |
| | | | | |
| Dividends declared per common share | $0.82 | $0.71 | $1.64 | $1.42 |

See Notes to Condensed Consolidated Financial Statements.

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SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2018 | July 1, 2017 | June 30, 2018 | July 1, 2017 |
| Comprehensive income (loss): | | | | |
| Net earnings | $182.7 | $156.8 | $349.5 | $301.9 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation* | (97.6) | 49.4 | (58.5) | 87.5 |
| Unrealized gain/loss on cash flow hedges, net of tax: | | | | |
| Other comprehensive income (loss) before reclassifications | — | — | (0.8) | 6.1 |
| Reclassification of cash flow hedges to net earnings | (0.3) | (0.4) | (0.8) | (0.7) |
| Defined benefit pension and postretirement plans: | | | | |
| Amortization of net unrecognized losses and prior service credits included in net periodic benefit cost | 8.0 | 6.7 | 15.6 | 13.2 |
| Income tax benefit | (2.0) | (2.3) | (3.8) | (4.6) |
| Net of tax | 6.0 | 4.4 | 11.8 | 8.6 |
| Total comprehensive income | $90.8 | $210.2 | $301.2 | $403.4 |
| | | | | |
| Comprehensive income attributable to noncontrolling interests | (4.0) | (3.6) | (7.8) | (7.1) |
| Comprehensive income attributable to Snap-on Incorporated | $86.8 | $206.6 | $293.4 | $396.3 |

* There is no reclassification adjustment as there was no sale or liquidation of any foreign entity during any period presented.

See Notes to Condensed Consolidated Financial Statements.

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SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share data)
(Unaudited)

| | June 30, 2018 | December 30, 2017 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $112.3 | $ 92.0 |
| Trade and other accounts receivable – net | 667.1 | 675.6 |
| Finance receivables – net | 514.4 | 505.4 |
| Contract receivables – net | 87.6 | 96.8 |
| Inventories – net | 668.3 | 638.8 |
| Prepaid expenses and other assets | 105.7 | 110.7 |
| Total current assets | 2,155.4 | 2,119.3 |
| | | |
| Property and equipment: | | |
| Land | 24.1 | 24.5 |
| Buildings and improvements | 364.5 | 357.4 |
| Machinery, equipment and computer software | 924.5 | 889.2 |
| | 1,313.1 | 1,271.1 |
| Accumulated depreciation and amortization | (833.7) | (786.7) |
| Property and equipment – net | 479.4 | 484.4 |
| | | |
| Deferred income tax assets | 51.7 | 52.0 |
| Long-term finance receivables – net | 1,051.3 | 1,039.2 |
| Long-term contract receivables – net | 332.6 | 322.6 |
| Goodwill | 911.0 | 924.1 |
| Other intangibles – net | 240.9 | 253.7 |
| Other assets | 49.7 | 53.8 |
| Total assets | $5,272.0 | $ 5,249.1 |

See Notes to Condensed Consolidated Financial Statements.

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SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share data)
(Unaudited)

| | June 30, 2018 | December 30, 2017 |
|---|---|---|
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Notes payable and current maturities of long-term debt | $127.6 | $ 433.2 |
| Accounts payable | 198.5 | 178.2 |
| Accrued benefits | 44.6 | 55.8 |
| Accrued compensation | 68.1 | 71.5 |
| Franchisee deposits | 68.7 | 66.5 |
| Other accrued liabilities | 419.5 | 388.1 |
| Total current liabilities | 927.0 | 1,193.3 |
| | | |
| Long-term debt | 945.4 | 753.6 |
| Deferred income tax liabilities | 27.2 | 28.4 |
| Retiree health care benefits | 34.5 | 36.0 |
| Pension liabilities | 117.8 | 158.9 |
| Other long-term liabilities | 108.5 | 106.6 |
| Total liabilities | 2,160.4 | 2,276.8 |
| | | |
| Commitments and contingencies (Note 14) | | |
| | | |
| Equity | | |
| Shareholders' equity attributable to Snap-on Incorporated: | | |
| Preferred stock (authorized 15,000,000 shares of $1 par value; none outstanding) | — | — |
| Common stock (authorized 250,000,000 shares of $1 par value; issued 67,414,937 and 67,407,704 shares, respectively) | 67.4 | 67.4 |
| Additional paid-in capital | 352.6 | 343.2 |
| Retained earnings | 4,018.9 | 3,772.3 |
| Accumulated other comprehensive loss | (377.3) | (329.0) |
| Treasury stock at cost (11,014,379 and 10,717,455 shares, respectively) | (968.4) | (900.0) |
| Total shareholders' equity attributable to Snap-on Incorporated | 3,093.2 | 2,953.9 |
| Noncontrolling interests | 18.4 | 18.4 |
| Total equity | 3,111.6 | 2,972.3 |
| Total liabilities and equity | $5,272.0 | $ 5,249.1 |

See Notes to Condensed Consolidated Financial Statements.

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SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Amounts in millions, except share data)
(Unaudited)

The following summarizes the changes in total equity for the six month period ended June 30, 2018:

| | Shareholders' Equity Attributable to Snap-on Incorporated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Noncontrolling Interests | Total Equity |
| Balance at December 30, 2017 | $67.4 | $ 343.2 | $3,772.3 | $ (329.0) | $(900.0) | $ 18.4 | $2,972.3 |
| Net earnings for the six months ended June 30, 2018 | — | — | 341.7 | — | — | 7.8 | 349.5 |
| Other comprehensive loss | — | — | — | (48.3) | — | — | (48.3) |
| Cash dividends – $1.64 per share | — | — | (92.8) | — | — | — | (92.8) |
| Stock compensation plans | — | 9.4 | — | — | 30.3 | — | 39.7 |
| Share repurchases – 646,000 shares | — | — | — | — | (98.7) | — | (98.7) |
| Other | — | — | (2.3) | — | — | (7.8) | (10.1) |
| Balance at June 30, 2018 | $67.4 | $ 352.6 | $4,018.9 | $ (377.3) | $(968.4) | $ 18.4 | $3,111.6 |

The following summarizes the changes in total equity for the six month period ended July 1, 2017:

| | Shareholders' Equity Attributable to Snap-on Incorporated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Noncontrolling Interests | Total Equity |
| Balance at December 31, 2016 | $67.4 | $ 317.3 | $3,384.9 | $ (498.5) | $(653.9) | $ 18.0 | $2,635.2 |
| Net earnings for the six months ended July 1, 2017 | — | — | 294.8 | — | — | 7.1 | 301.9 |
| Other comprehensive income | — | — | — | 101.5 | — | — | 101.5 |
| Cash dividends – $1.42 per share | — | — | (82.3) | — | — | — | (82.3) |
| Stock compensation plans | — | 19.8 | — | — | 26.8 | — | 46.6 |
| Share repurchases – 745,000 shares | — | — | — | — | (122.5) | — | (122.5) |
| Other | — | — | (0.4) | — | — | (7.0) | (7.4) |
| Balance at July 1, 2017 | $67.4 | $ 337.1 | $3,597.0 | $ (397.0) | $(749.6) | $ 18.1 | $2,873.0 |

See Notes to Condensed Consolidated Financial Statements.

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SNAP-ON INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)
(Unaudited)

| | Six Months Ended | |
|---|---|---|
| | June 30, 2018 | July 1, 2017 |
| Operating activities: | | |
| Net earnings | $349.5 | $301.9 |
| Adjustments to reconcile net earnings to net cash provided (used) by operating activities: | | |
| Depreciation | 35.0 | 32.3 |
| Amortization of other intangibles | 13.0 | 13.6 |
| Provision for losses on finance receivables | 29.4 | 25.8 |
| Provision for losses on non-finance receivables | 5.5 | 4.6 |
| Stock-based compensation expense | 14.6 | 14.4 |
| Deferred income tax provision (benefit) | (4.1) | 3.1 |
| Loss (gain) on sales of assets | 0.1 | (0.2) |
| Settlement of treasury lock | — | 14.9 |
| Loss on early extinguishment of debt | 7.8 | — |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Increase in trade and other accounts receivable | (9.1) | (26.8) |
| Increase in contract receivables | (4.5) | (5.6) |
| Increase in inventories | (24.5) | (48.3) |
| (Increase) decrease in prepaid and other assets | 6.4 | (9.9) |
| Increase in accounts payable | 25.4 | 27.7 |
| Decrease in accruals and other liabilities | (25.7) | (28.0) |
| Net cash provided by operating activities | 418.8 | 319.5 |
| Investing activities: | | |
| Additions to finance receivables | (436.7) | (458.8) |
| Collections of finance receivables | 379.9 | 352.9 |
| Capital expenditures | (38.6) | (34.4) |
| Acquisitions of businesses, net of cash acquired | (3.0) | (80.2) |
| Disposals of property and equipment | 0.5 | 0.9 |
| Other | (2.9) | (0.7) |
| Net cash used by investing activities | (100.8) | (220.3) |
| Financing activities: | | |
| Proceeds from issuance of long-term debt | 395.4 | 297.8 |
| Repayments of long-term debt | (457.8) | (150.0) |
| Repayment of notes payable | (16.8) | — |
| Net decrease in other short-term borrowings | (37.2) | (52.7) |
| Cash dividends paid | (92.8) | (82.3) |
| Purchases of treasury stock | (98.7) | (122.5) |
| Proceeds from stock purchase and option plans | 28.3 | 34.6 |
| Other | (16.2) | (14.9) |
| Net cash used by financing activities | (295.8) | (90.0) |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | (1.9) | 2.2 |
| Increase in cash and cash equivalents | 20.3 | 11.4 |

| | | |
|---|---|---|
| Cash and cash equivalents at beginning of year | 92.0 | 77.6 |
| Cash and cash equivalents at end of period | $112.3 | $89.0 |
| Supplemental cash flow disclosures: | | |
| Cash paid for interest | $(27.8 ) | $(24.9 ) |
| Net cash paid for income taxes | (97.4 ) | (99.8 ) |

See Notes to Condensed Consolidated Financial Statements.

SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Summary of Accounting Policies
Principles of consolidation and presentation
The Condensed Consolidated Financial Statements include the accounts of Snap-on Incorporated and its wholly-owned and majority-owned subsidiaries (collectively, "Snap-on" or the "company"). These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the consolidated financial statements and related notes included in Snap-on's 2017 Annual Report on Form 10-K for the fiscal year ended December 30, 2017 ("2017 year end"). The company's 2018 fiscal second quarter ended on June 30, 2018; the 2017 fiscal second quarter ended on July 1, 2017. Each of the company's 2018 and 2017 fiscal first and second quarters each contained 13 weeks of operating results.

Certain prior year amounts have been reclassified on the Condensed Consolidated Statements of Earnings to conform to the 2018 presentation following the retrospective adoption of ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715) - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. Expense of $0.2 million included in "Cost of goods sold" and income of $0.2 million included in "Operating expenses" in the second quarter of 2017 were reclassified to "Other income (expense) - net". As a result, previously reported "Cost of goods sold" of $458.4 million is now $458.2 million, "Operating expenses" of $279.3 million is now $279.5 million and "Other income (expense) - net" of $1.9 million of expense remains $1.9 million of expense. Expense of $0.5 million included in "Cost of goods sold" and expense of $0.2 million included in "Operating expenses" in the six months ended July 1, 2017 were reclassified to "Other income (expense) - net". As a result, previously reported "Cost of goods sold" of $897.5 million is now $897.0 million, "Operating expenses" of $557.8 million is now $557.6 million and "Other income (expense) - net" of $3.6 million of expense is now $4.3 million of expense. Additionally, prior year "Operating earnings" for certain reportable business segments have been restated to reflect these reclassifications. See Note 17 for information on Snap-on's reportable business segments.
In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the Condensed Consolidated Financial Statements for the three and six month periods ended June 30, 2018, and July 1, 2017, have been made. Interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year.
Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Financial Instruments
The fair value of the company's derivative financial instruments is generally determined using quoted prices in active markets for similar assets and liabilities. The carrying value of the company's non-derivative financial instruments either approximates fair value, due to their short-term nature, or the amount disclosed for fair value is based upon a discounted cash flow analysis or quoted market values. See Note 9 for further information on financial instruments.
New Accounting Standards
The following new accounting pronouncements were adopted in fiscal year 2018:
In March 2017, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715) – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which provides additional guidance on the presentation of net periodic pension and postretirement benefit costs in the income statement and on the components eligible for capitalization. The

amendments in this ASU require that an employer report the service cost component of the net periodic benefit costs in the same income statement line item as other compensation costs arising from services rendered by employees during the period. The non-service-cost components of net periodic benefit costs are to be presented in the income statement separately from the service cost components and outside a subtotal of income from operations. The ASU also allows for the capitalization of the service cost components, when applicable (i.e., as a cost of internally manufactured inventory or a self-constructed asset).

Snap-on adopted this ASU at the beginning of its 2018 fiscal year, with the changes related to the presentation in the statements of earnings of the service cost and non-service-cost components of net periodic benefit costs applied retrospectively, using the practical expedient permitting the use of the amounts disclosed in pension and other postretirement benefit plan notes as the estimation basis for the presentation of the prior comparative periods. For fiscal 2018 and all comparative periods, the non-service-cost components of net periodic benefit costs are included in "Other income (expense) - net" on the accompanying condensed consolidated statements of earnings. Beginning in fiscal 2018, changes related to the capitalization in assets of the service cost component of net periodic benefit costs were applied prospectively. The adoption of this ASU did not have a significant impact on the company's Condensed Consolidated Statements of Earnings.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740) – Intra-Entity Transfers of Assets Other Than Inventory. The ASU eliminates the requirement to defer the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. Under the new guidance, an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments in this ASU were to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings at the time of adoption. The adoption of this ASU did not have an impact on the company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), which adds and/or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this ASU did not have a significant impact to the designations of operating, investing and financing activities on the company's Condensed Consolidated Statements of Cash Flows.

On December 31, 2017, the beginning of Snap-on's 2018 fiscal year, Snap-on adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. Topic 606 is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Topic 606 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Snap-on adopted Topic 606 using the modified retrospective approach applied to those contracts that were not completed as of December 31, 2017, which means Topic 606 has been applied to the fiscal 2018 financial statements and disclosures going forward, but that prior period financial statements and disclosures reflect the prior revenue recognition standard. See Note 2 for additional information on revenue recognition.

Snap-on's revenues are primarily from the selling of products that are shipped and billed, services provided to customers and from subscriptions, including software subscriptions. Approximately 90% of net sales are earned at a point in time through ship-and- bill performance obligations. The remaining performance obligations that are recorded over time relate primarily to software subscriptions and to a lesser extent extended warranty and other subscription agreements. Revenues are recognized when control is transferred to customers, in an amount that reflects the consideration Snap-on expects to be entitled to in exchange for those goods and services. Revenue recognition is evaluated through the following five steps: (i) identification of the contract, or contracts, with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Revenue related to software subscriptions, as well as extended warranty and other subscription agreements, is generally recognized over time on a ratable basis over the contract term beginning on the date that our service is made available to the customer.

Contracts with customers may include multiple performance obligations related to sales of hardware, software and software-related services. For these contracts, individual performance obligations are recorded separately if they are distinct. The transaction price, including any discounts, is allocated to each separate performance obligation based on its relative standalone selling price. The standalone selling prices are determined based on the prices charged to customers or by using an expected cost plus margin approach. The amount assigned to the products or services is recognized when the product is delivered and/or when the services are performed. In instances where the product and/or services are performed over an extended period, as is the case with subscription agreements, revenue is generally recognized over time on a ratable basis using a time-based output method applied over the contract term beginning on the date that the service is made available to the customer. These contracts are generally for 12 months but can be for a term up to 60 months.

Franchise fee revenue, including nominal, non-refundable initial fees, is recognized upon the granting of a franchise, which is when the company has performed substantially all initial services required by the franchise agreement. Franchise fee revenue also includes ongoing monthly fees (primarily for sales and business training as well as marketing and product promotion programs) that are recognized as the fees are earned. Franchise fee revenue totaled $4.2 million and $8.1 million for the three and six month periods ended June 30, 2018, respectively.

The following new accounting pronouncements, and related impacts on adoption, are being evaluated by the company:
In February 2018, the FASB issued ASU No. 2018-02, Income Statement - Reporting Comprehensive Income - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220), which allows for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from “H.R.1”, formerly known as the Tax Cuts and Jobs Act (the “Tax Act”). ASU No. 2018-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; the ASU allows for early adoption in any interim period after issuance of the update. The company is currently assessing the impact this ASU will have on its consolidated financial statements.
In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815) – Targeted Improvements to Accounting for Hedging Activities, which improves the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. The amendments in this update also make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. ASU No. 2017-12 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; the ASU allows for early adoption in any interim period after issuance of the update. The company is currently assessing the impact this ASU will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), to require the measurement of expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable forecasts. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years; the ASU allows for early adoption as of the beginning of an interim or annual reporting period beginning after December 15, 2018. The company is currently assessing the impact this ASU will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU is intended to represent an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. This ASU, which supersedes most current lease guidance, affects any entity that enters into a lease (as that term is defined in the ASU), with some specified scope exemptions. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; the ASU allows for early adoption as of the beginning of an interim or annual reporting period.
Snap-on commenced its assessment of Topic 842 during the second half of 2017 and developed a comprehensive project plan that included representatives from across the company’s business segments. The project plan included

evaluating Snap-on’s lease portfolio, analyzing the standard’s impact on the company’s various types of lease contracts and identifying the reporting requirements of the new standard. The company is in the process of identifying and implementing appropriate changes to its business processes, systems and controls to support lease accounting and disclosures under Topic 842. The company is currently assessing the impact this ASU will have on its consolidated financial statements.

Note 2: Revenue Recognition

Snap-on recognizes revenue from the sale of tools, diagnostic and equipment products and related services based on when control of the product passes to the customer or the service is provided and is recognized at an amount that reflects the consideration expected to be received in exchange for such goods or services.

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SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The effects of adjustments to the December 30, 2017 consolidated balance sheet for the adoption of Topic 606 were as follows:

| (Amounts in millions) | Balance at December 30, 2017 | Topic 606 Adjustments | Opening Balance at December 31, 2017 |
|---|---|---|---|
| Assets | | | |
| Inventories - net | $ 638.8 | $ 20.9 | $ 659.7 |
| Deferred income tax assets | 52.0 | 0.6 | 52.6 |
| Liabilities and Equity | | | |
| Other accrued liabilities | $ 388.1 | $ 23.3 | $ 411.4 |
| Retained earnings | 3,772.3 | (1.8) | 3,770.5 |

The adoption of Topic 606 did not have a significant impact on the company's consolidated financial statements. The adoption resulted in the recognition of an inventory asset related to certain product returns by increasing the returns liability and recognizing an inventory asset for the anticipated value of the returns to recognize Snap-on's contractual obligation to recover products from customers; this gross up had no corresponding impact on the Condensed Consolidated Statement of Earnings. For the anticipated value of the returns, the adoption resulted in the recognition of an increase in the inventory obsolescence reserve of $2.4 million with a corresponding adjustment to fiscal 2018 beginning retained earnings. Other than the amounts recorded for the adoption of Topic 606 on the Condensed Consolidated Balance Sheets, there were no other changes since the adoption that would be materially different from previous accounting standards that would affect the Condensed Consolidated Statements of Earnings, Balance Sheets, or Cash Flows.

Revenue Disaggregation
The following table shows the consolidated revenues by revenue source:

| (Amounts in millions) | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2018 |
|---|---|---|
| Revenue from contracts with customers | $949.2 | $1,879.6 |
| Other revenues | 5.4 | 10.5 |
| Total net sales | 954.6 | 1,890.1 |
| Financial services revenue | 82.0 | 165.0 |
| Total revenues | $1,036.6 | $2,055.1 |

Snap-on evaluates the performance of its operating segments based on segment revenues, including both external and intersegment net sales, and segment operating earnings. Snap-on accounts for both intersegment sales and transfers based primarily on standard costs with reasonable mark-ups established between the segments. All significant intersegment amounts are eliminated to arrive at Snap-on’s consolidated financial results.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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The following table represents external net sales disaggregated by geography, based on the customers' billing addresses:

| (Amounts in millions) | Commercial & Industrial Group | Snap-on Tools Group | Repair Systems & Information Group | Financial Services | Eliminations | Snap-on Incorporated |
|---|---|---|---|---|---|---|
| | For the three months ended June 30, 2018 | | | | | |
| Net sales by geographic region: | | | | | | |
| North America* | $118.3 | $346.2 | $ 189.4 | $ — | $ — | $ 653.9 |
| Europe | 76.6 | 43.7 | 68.2 | — | — | 188.5 |
| All other | 72.2 | 22.0 | 18.0 | — | — | 112.2 |
| External net sales | 267.1 | 411.9 | 275.6 | — | — | 954.6 |
| Intersegment net sales | 70.7 | — | 67.5 | — | (138.2) | — |
| Total net sales | 337.8 | 411.9 | 343.1 | — | (138.2) | 954.6 |
| Financial services revenue | — | — | — | 82.0 | — | 82.0 |
| Total revenue | $337.8 | $411.9 | $ 343.1 | $ 82.0 | $ (138.2) | $ 1,036.6 |

| (Amounts in millions) | Commercial & Industrial Group | Snap-on Tools Group | Repair Systems & Information Group | Financial Services | Eliminations | Snap-on Incorporated |
|---|---|---|---|---|---|---|
| | For the six months ended June 30, 2018 | | | | | |
| Net sales by geographic region: | | | | | | |
| North America* | $225.8 | $685.1 | $ 374.7 | $ — | $ — | $ 1,285.6 |
| Europe | 159.5 | 85.2 | 135.2 | — | — | 379.9 |
| All other | 140.6 | 46.3 | 37.7 | — | — | 224.6 |
| External net sales | 525.9 | 816.6 | 547.6 | — | — | 1,890.1 |
| Intersegment net sales | 143.5 | — | 132.5 | — | (276.0) | — |
| Total net sales | 669.4 | 816.6 | 680.1 | — | (276.0) | 1,890.1 |
| Financial services revenue | — | — | — | 165.0 | — | 165.0 |
| Total revenue | $669.4 | $816.6 | $ 680.1 | $ 165.0 | $ (276.0) | $ 2,055.1 |

* North America is comprised of the United States, Canada and Mexico.

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SNAP-ON INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

The following table represents external net sales disaggregated by customer type:

| | For the three months ended June 30, 2018 | | | | | |
|---|---|---|---|---|---|---|
| (Amounts in millions) | Commercial & Industrial Group | Snap-on Tools Group | Repair Systems & Information Group | Financial Services | Eliminations | Snap-on Incorporated |
| Net sales: | | | | | | |
| Vehicle service professionals | $25.6 | $411.9 | $ 275.6 | $ — | $ — | $ 713.1 |
| All other professionals | 241.5 | — | — | — | — | 241.5 |
| External net sales | 267.1 | 411.9 | 275.6 | — | — | 954.6 |
| Intersegment net sales | 70.7 | — | 67.5 | — | (138.2) | — |
| Total net sales | 337.8 | 411.9 | 343.1 | — | (138.2) | 954.6 |
| Financial services revenue | — | — | — | 82.0 | — | 82.0 |
| Total revenue | $337.8 | $411.9 | $ 343.1 | $ 82.0 | $ (138.2) | $ 1,036.6 |

| | For the six months ended June 30, 2018 | | | | | |
|---|---|---|---|---|---|---|
| (Amounts in millions) | Commercial & Industrial Group | Snap-on Tools Group | Repair Systems & Information Group | Financial Services | Eliminations | Snap-on Incorporated |
| Net sales: | | | | | | |
| Vehicle service professionals | $48.1 | $816.6 | $ 547.6 | $ — | $ — | $ 1,412.3 |
| All other professionals | 477.8 | — | — | — | — | 477.8 |
| External net sales | 525.9 | 816.6 | 547.6 | — | — | 1,890.1 |
| Intersegment net sales | 143.5 | — | 132.5 | — | (276.0) | — |
| Total net sales | 669.4 | 816.6 | 680.1 | — | (276.0) | 1,890.1 |
| Financial services revenue | — | — | — | 165.0 | — | 165.0 |
| Total revenue | $669.4 | $816.6 | $ 680.1 | $ 165.0 | $ (276.0) | $ 2,055.1 |

Nature of Goods and Services

Snap-on derives net sales from a broad line of products and complementary services that are grouped into three categories: (i) tools; (ii) diagnostics, information and management systems; and (iii) equipment. The tools product category includes hand tools, power tools, tool storage products and other similar products. The diagnostics, information and management systems product category includes handheld and PC-based diagnostic products, service and repair information products, diagnostic software solutions, electronic parts catalogs, business management systems and services, point-of-sale systems, integrated systems for vehicle service shops, original equipment manufacturer ("OEM") purchasing facilitation services, and warranty management systems and analytics to help OEM dealership service and repair shops ("OEM dealerships") manage and track performance. The equipment product category includes solutions for the service of vehicles and industrial equipment. Snap-on supports the sale of its diagnostics and vehicle service shop equipment by offering training programs as well as after-sales support to its customers. Through its financial services businesses, Snap on also derives revenue from various financing programs designed to facilitate the sales of its products and support its franchise business.

Approximately 90% of Snap-on’s net sales are products sold at a point in time through ship-and-bill performance obligations that also includes service repair services. The remaining sales revenue is earned over time primarily on a subscription basis including software, extended warranty and other subscription service agreements.

Snap-on enters into contracts related to the selling of tools, diagnostic and repair information and equipment products and related services. At contract inception, an assessment of the goods and services promised in the contracts with customers is performed and a performance obligation is identified for each distinct promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, Snap-on considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Contracts with customers are comprised of customer purchase orders, invoices and written contracts.

When Performance Obligations Are Satisfied
For performance obligations related to the majority of ship-and-bill products, including repair services contracts, control transfers at a point in time when title transfers upon shipment of the product to the customer, and for some sales, control transfers when title is transferred at time of receipt by customer. Once a product or repaired product has shipped or has been delivered, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from the asset, revenue is recognized. Snap-on considers control to have transferred upon shipment or delivery when Snap-on has a present right to payment, the customer has legal title to the asset, Snap-on has transferred physical possession of the asset, and the customer has significant risk and rewards of ownership of the asset.

For performance obligations related to software subscriptions, extended warranties and other subscription agreements, Snap-on transfers control and recognizes revenue over time on a ratable basis using a time-based output method. The performance obligations are typically satisfied as services are rendered on a straight-line basis over the contract term, which is generally for 12 months but can be for a term up to 60 months.

Significant Payment Terms
For ship-and-bill type contracts with customers, the contract states the final terms of the sale, including the description, quantity, and price of each product or service purchased. Payment terms are typically due upon delivery or up to 30 days after delivery but can range up to 120 days after delivery.

For subscription contracts, payment terms are in advance or in arrears of services on a monthly, quarterly or annual basis over the contract term, which is generally for 12 months but can be for a term up to 60 months depending on the product or service. The customer typically agrees to a stated rate and price in the contract that does not vary over the contract term. In some cases, customers prepay for their licenses, or in other cases, pay on a monthly or quarterly basis. When the timing of the payment made by the customer precedes the delivery of the performance obligation, a contract liability is recognized.

Variable Consideration
In some cases, the nature of Snap-on’s contracts give rise to variable consideration, including rebates, credits, allowances for returns or other similar items that generally decrease the transaction price. These variable amounts generally are credited to the customer, based on achieving certain levels of sales activity, product returns and making payments within specific terms.

In the normal course of business, Snap-on allows franchisees to return product per the provisions in the franchise agreement that allow for the return of product in a saleable condition. For other customers, product returns are generally not accepted unless the item is defective as manufactured. Where applicable, Snap-on establishes provisions for estimated sales returns. Estimated product returns are recorded as a reduction in reported revenues at the time of sale based upon historical product return experience and is adjusted for known trends to arrive at the amount of consideration to which Snap-on expects to receive.

Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available.

Warranties

Snap-on allows customers to return product when the product is defective as manufactured. Where applicable, Snap-on establishes provisions for estimated warranties. Estimated product warranties are provided for specific product lines and Snap-on accrues for estimated future warranty cost in the period in which the sale is recorded. The costs are included in “Cost of goods sold” on the accompanying Condensed Consolidated Statements of Earnings. Snap-on calculates its accrual requirements based on historic warranty loss experience that is periodically adjusted for recent actual experience, including the timing of claims during the warranty period and actual costs incurred. Snap-on does not typically provide customers with the right to a refund.

Practical Expedients and Exemptions

Snap-on typically expenses incremental direct costs of obtaining a contract (sales commissions) when incurred because the amortization period is generally 12 months or less. Capitalized long-term contract costs are not significant. Contract costs are expensed or amortized in “Operating expenses” on the accompanying Condensed Consolidated Statements of Earnings.

Snap-on elected to account for shipping and handling activities that occur after control of the related good transfers to the customer as fulfillment activities and are therefore recognized upon shipment of the goods.

Snap-on has applied the portfolio approach to its ship-and-bill contracts that have similar characteristics as it reasonably expects that the effects on the financial statements of applying this guidance to the portfolio of contracts would not differ materially from applying this guidance to the individual contracts within the portfolio.

Snap-on typically excludes from its transaction price any amounts collected from customers for sales (and similar) taxes.

For certain performance obligations related to software subscriptions, extended warranty and other subscription agreements that are settled over time, Snap-on has elected not to disclose the value of unsatisfied performance obligations for: (i) contracts that have an original expected length of one year or less; (ii) contracts where revenue is recognized as invoiced; and (iii) contracts with variable consideration related to unsatisfied performance obligations. The remaining duration of these unsatisfied performance obligations range from one month up to 60 months. Snap-on had approximately $217.0 million of long-term contracts that have fixed consideration that extends beyond one year as of June 30, 2018. Snap-on expects to recognize approximately 60% of these contracts as revenue by the end of fiscal 2019, an additional 30% by the end of fiscal 2021 and the balance thereafter.

Contract Liabilities (Deferred Revenues)

Contract liabilities are recorded when cash payments are received in advance of Snap-on’s performance. The timing of payment is typically on a monthly, quarterly or annual basis. The balance of total contract liabilities at June 30, 2018, was $60.4 million and was $49.4 million at the beginning of fiscal 2018. The current portion of contract liabilities and the non-current portion are included in “Other accrued liabilities” and “Other long-term liabilities”, respectively, on the accompanying Condensed Consolidated Balance Sheets. For the first six months of 2018, Snap-on recognized revenue of $31.2 million that was included in the contract liability balance as of December 30, 2017, which was primarily from the amortization of software subscriptions, extended warranties and other subscription agreements. The increase in the total contract liabilities balance is primarily driven by the timing of cash payments received or due in advance of satisfying Snap-on’s performance obligations and growth in certain software subscriptions, partially offset by revenues recognized that were included in the contract liability balance at the beginning of the period.

Revenue Recognition Prior to 2018

Revenue recognition for fiscal 2017, as presented, is based on Revenue Recognition (Topic 605). Snap-on recognized revenue from the sale of tools and diagnostic and equipment products when contract terms were met, the price was fixed or determinable, collectability was reasonably assured and a product was shipped or risk of ownership had been transferred to and accepted by the customer. For sales contingent upon customer acceptance, revenue recognition was deferred until such obligations were fulfilled. Estimated product returns were recorded as a reduction in reported revenues at the time of sale based upon historical product return experience and gross profit margin was adjusted for known trends. Provisions for customer volume rebates, discounts and allowances were also recorded as a reduction in reported revenues at the time of sale based on historical experience and known trends. Revenue related to extended warranty and subscription agreements was recognized over the terms of the respective agreements.

Snap-on also recognized revenue related to multiple element arrangements, including sales of hardware, software and software-related services. When a sales arrangement contained multiple elements, such as hardware and software products and/or services, Snap on used the relative selling price method to allocate revenues between hardware and software elements. For software elements that were not essential to the hardware's functionality and related software post-contract customer support, vendor specific objective evidence ("VSOE") of fair value was used to further allocate revenue to each element based on its relative fair value and, when necessary, the residual method was used to assign value to the delivered elements when VSOE only existed for the undelivered elements. The amount assigned to the products or services was recognized when the product was delivered and/or when the services were performed. In instances where the product and/or services were performed over an extended period, as is the case with subscription agreements or the providing of ongoing support, revenue was generally recognized on a straight-line basis over the term of the agreement, which generally ranged from 12 months to 60 months.

Franchise fee revenue, including nominal, non-refundable initial fees, was recognized upon the granting of a franchise, which was when the company performed substantially all initial services required by the franchise agreement. Franchise fee revenue also included ongoing monthly fees (primarily for sales and business training as well as marketing and product promotion programs) that were recognized as the fees were earned. Franchise fee revenue totaled $3.4 million and $6.9 million for the three and six month periods ended July 1, 2017, respectively.

Note 3: Acquisitions

On January 31, 2018, Snap-on acquired substantially all of the assets of George A. Sturdevant, Inc. (d/b/a Fastorq) for a cash purchase price of $3.0 million. Fastorq, based in New Caney, Texas, designs, assembles and distributes hydraulic torque and hydraulic tensioning products for use in critical industries. As of the second quarter of 2018, the company has completed the purchase accounting valuations for the acquired net assets of Fastorq. The $2.6 million excess of the purchase price over the fair value of the net assets acquired was recorded in “Goodwill” on the accompanying Condensed Consolidated Balance Sheets.

On July 28, 2017, Snap-on acquired Torque Control Specialists Pty Ltd (“TCS”) for a cash purchase price of $3.6 million (or $3.5 million, net of cash acquired). TCS distributes a full range of torque products, including wrenches, multipliers and calibrators for use in critical industries. As of the second quarter of 2018, the company has completed the purchase accounting valuations for the acquired net assets of TCS. The $2.0 million excess of purchase price over the fair value of the net assets acquired was recorded in “Goodwill” on the accompanying Condensed Consolidated Balance Sheets.

On May 4, 2017, Snap-on acquired Norbar Torque Tools Holdings Limited, along with its U.S. and Chinese joint ventures (“Norbar”) for a cash purchase price of $71.6 million (or $69.9 million, net of cash acquired). Norbar designs and manufactures a full range of torque products, including wrenches, multipliers and calibrators for use in critical industries. As of the second quarter of 2018, the company has completed the purchase accounting valuations for the acquired net assets of Norbar, including intangible assets. The $25.1 million excess of purchase price over the fair value of the net assets acquired was recorded in “Goodwill” on the accompanying Condensed Consolidated Balance Sheets.

On January 30, 2017, Snap-on acquired BTC Global Limited (“BTC”) for a cash purchase price of $9.2 million. BTC designs and implements automotive vehicle inspection and management software for OEM franchise repair shops. In the second quarter of 2017, the company completed the purchase accounting valuations for the acquired net assets of BTC, including intangible assets. The $5.9 million excess of purchase price over the fair value of the net assets acquired was recorded in “Goodwill” on the accompanying Condensed Consolidated Balance Sheets.

For segment reporting purposes, the results of operations and assets of Fastorq, TCS and Norbar have been included in the Commercial & Industrial Group since the acquisition date and the results of operations and assets of BTC have been included in the Repair Systems and Information Group since the acquisition date.

Pro forma financial information has not been presented for any of these acquisitions as the net effects, individually and collectively, were neither significant nor material to Snap-on’s results of operations or financial position. See Note 6 for further information on goodwill and other intangible assets.

Note 4: Receivables

Trade and Other Accounts Receivable

Snap-on’s trade and other accounts receivable primarily arise from the sale of tools and diagnostic and equipment products to a broad range of industrial and commercial customers and to Snap-on’s independent franchise van channel on a non-extended-term basis with payment terms generally ranging from 30 to 120 days.

The components of Snap-on’s trade and other accounts receivable as of June 30, 2018, and December 30, 2017, are as follows:

| (Amounts in millions) | June 30, 2018 | December 30, 2017 |
|---|---|---|
| Trade and other accounts receivable | $683.3 | $ 690.2 |
| Allowances for doubtful accounts | (16.2 ) | (14.6 ) |
| Total trade and other accounts receivable – net | $667.1 | $ 675.6 |

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Finance and Contract Receivables

Snap-on Credit LLC (“SOC”), the company’s financial services operation in the United States, originates extended-term finance and contract receivables on sales of Snap-on’s products sold through the U.S. franchisee and customer network and to certain other customers of Snap-on; Snap-on’s foreign finance subsidiaries provide similar financing internationally. Interest income on finance and contract receivables is included in “Financial services revenue” on the accompanying Condensed Consolidated Statements of Earnings.

Snap-on’s finance receivables are comprised of extended-term installment payment contracts to both technicians and independent shop owners (i.e., franchisees’ customers) to enable them to purchase tools and diagnostic and equipment products on an extended-term payment plan, generally with average payment terms approaching four years. Contract receivables, with payment terms of up to 10 years, are comprised of extended-term installment payment contracts to a broad base of customers worldwide, including shop owners, both independents and national chains, for their purchase of tools and diagnostic and equipment products. Contract receivables also include extended-term installment loans to franchisees to meet a number of financing needs, including working capital loans, loans to enable new franchisees to fund the purchase of the franchise and van leases. Finance and contract receivables are generally secured by the underlying tools and/or diagnostic or equipment products financed and, for installment loans to franchisees, other franchisee assets.

The components of Snap-on’s current finance and contract receivables as of June 30, 2018, and December 30, 2017, are as follows:

| (Amounts in millions) | June 30, 2018 | December 30, 2017 |
|---|---|---|
| Finance receivables, net of unearned finance charges of $20.7 million and $21.0 million, respectively | $533.4 | $ 523.1 |
| Contract receivables, net of unearned finance charges of $18.6 million and $17.6 million, respectively | 88.9 | 98.1 |
| Total | 622.3 | 621.2 |
| Allowances for doubtful accounts: | | |
| Finance receivables | (19.0 ) | (17.7 ) |
| Contract receivables | (1.3 ) | (1.3 ) |
| Total | (20.3 ) | (19.0 ) |
| Total current finance and contract receivables – net | $602.0 | $ 602.2 |
| | | |
| Finance receivables – net | $514.4 | $ 505.4 |
| Contract receivables – net | 87.6 | 96.8 |
| Total current finance and contract receivables – net | $602.0 | $ 602.2 |

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The components of Snap-on’s finance and contract receivables with payment terms beyond one year as of June 30, 2018, and December 30, 2017, are as follows:

| (Amounts in millions) | June 30, 2018 | December 30, 2017 |
|---|---|---|
| Finance receivables, net of unearned finance charges of $16.7 million and $16.7 million, respectively | $1,091.3 | $ 1,078.0 |
| Contract receivables, net of unearned finance charges of $27.6 million and $25.5 million, respectively | 336.1 | 325.9 |
| Total | 1,427.4 | 1,403.9 |
| Allowances for doubtful accounts: | | |