THE TORO COMPANY

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Q3 2024 EARNINGS RELEASE

September 5, 2024

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 2024 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; 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 August 2 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.

Q3 2024 Key Messages

1 **Delivered top- and bottom-line growth** in a very dynamic environment, with **net sales up 7%** and ***adjusted diluted EPS up 24%; net sales growth** driven by residential segment **mass channel,** and professional segment **golf and grounds,** and **underground construction** businesses

2 **Successfully drove increased output and shipments** for underground construction and golf and grounds products, where sustained strength in demand has continued to keep order backlog elevated

3 **Macro factors** drove **increased caution** as summer progressed, resulting in **lower-than-expected shipments** of residential and professional lawn care products to dealers; continued to make **significant progress in reducing dealer field inventories of lawn care equipment** and have now worked down **~80%** of the excess

4 **Company revises full-year fiscal 2024 *adjusted diluted EPS guidance** range to $4.15 to $4.20, a reflection of current macro environment; remains **well-positioned** for future growth

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

Q3 2024 Financial Highlights

(Year-over-year comparisons below)

6.9% NET SALES GROWTH	Increase driven by higher shipments to mass channel, increased shipments of golf and grounds products and underground construction equipment, and net price realization; this was partially offset by lower shipments of snow and ice management products, contractor-grade zero-turn mowers, and compact utility loaders
+100 bps ADJUSTED GROSS MARGIN*	Increase primarily due to productivity improvements and net price realization, partially offset by higher material and manufacturing costs, and product mix
+150 bps ADJUSTED OPERATNG EARNINGS MARGIN*	In addition to productivity improvements and net price realization, net sales leverage and lower marketing costs more than offset higher material and manufacturing costs, product mix and higher incentive expenses

Q3 results reflect the strength of our leading market positions, best-in-class distribution networks, and disciplined execution by our talented team

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

Q3 2024 Other Notable Highlights

AMP Productivity Initiative On Track, Driving Benefits

Successful supplier summit at HQ; execution on targeted portfolio adjustments

New Product Pipeline As Strong As Ever

Toro Groundsmaster® e3200 leverages our proprietary HyperCell® battery system

YTD Free Cash Flow Up over $200M

Reflects strength of diversified portfolio and progress on working capital normalization

Order Backlog Remains Elevated; Making Progress

Reflects sustained demand strength for underground construction, golf and grounds businesses

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”)

Major productivity initiative expected to result in more than $100M of incremental annual cost savings by fiscal 2027, a portion of which the company intends to prudently reinvest

3 Key Focus Areas for Transformation:

- **Supply Base** 1
- **Design-to-Value** 2
- **Route-to-Market** 3

Financials

Q3 2024 Consolidated Results

Strength of mass channel and businesses with elevated order backlog, along with productivity gains and net price realization, drove top- and bottom-line growth

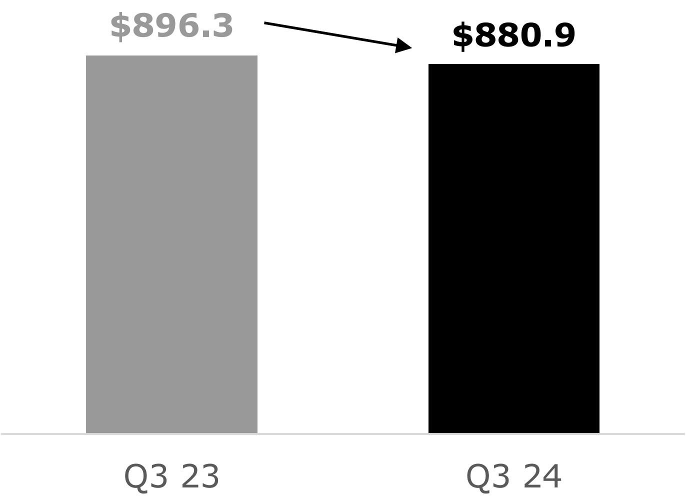
	REPORTED			ADJUSTED*		
	Q3 24	Q3 23	Change from Q3 23	Q3 24	Q3 23	Change from Q3 23
Net Sales	**$1,156.9M**	**$1,081.8M**	**+6.9%**	**$1,156.9M**	**$1,081.8M**	**+6.9%**
Gross Profit ($)	$402.8M	$372.4M	+8.2%	$409.7M	$372.4M	+10.0%
Gross Margin (% of Net Sales)	34.8%	34.4%	+40 bps	35.4%	34.4%	+100 bps
Operating Earnings ($)	**$148.1M**	**($19.1M)**	**+$167.2M**	**$159.0M**	**$132.2M**	**+20.3%**
Operating Earnings Margin (% of Net Sales)	**12.8%**	**(1.8%)**	**+1460 bps**	**13.7%**	**12.2%**	**+150 bps**
Earnings Before Income Taxes	$144.2M	($28.6M)	+$172.8M	$150.8M	$122.7M	+22.9%
Net Earnings	$119.3M	($15.0M)	+$134.3M	$123.7M	$99.4M	+24.4%
Diluted EPS	$1.14	($0.14)	+$1.28	$1.18	$0.95	+24.2%

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

Professional Segment Results

NET SALES
(in millions)

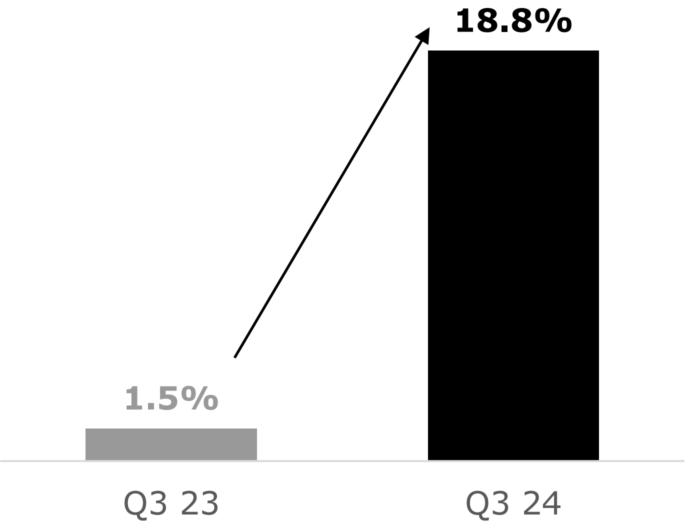
-1.7%



Decrease was primarily driven by **lower shipments** of **snow and ice management products**, **lawn care equipment**, and **specialty construction equipment**, partially offset by **higher shipments of golf and grounds products**, and **underground construction equipment**, along with **net price realization**

SEGMENT EARNINGS RATE
(as a percentage of net sales)

+1730 bps

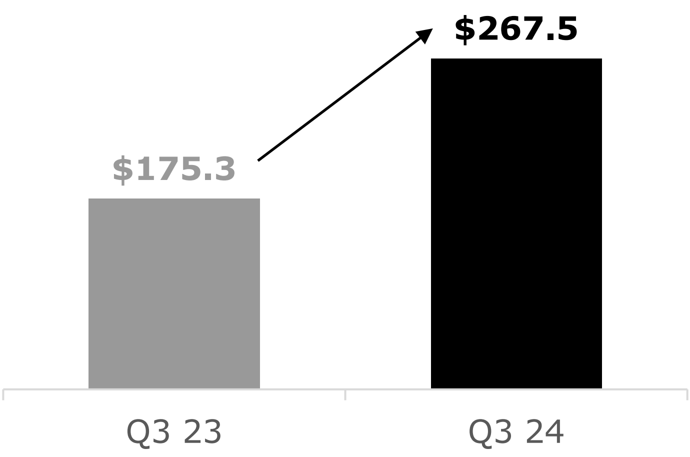


Increase in profitability was primarily due **to last year's $151.3 million non-cash impairment charges**, as well as **productivity improvements**, **product mix**, and **net price realization**, partially offset by **higher material and manufacturing costs** and **lower net sales volume**

Residential Segment Results

NET SALES
(in millions)

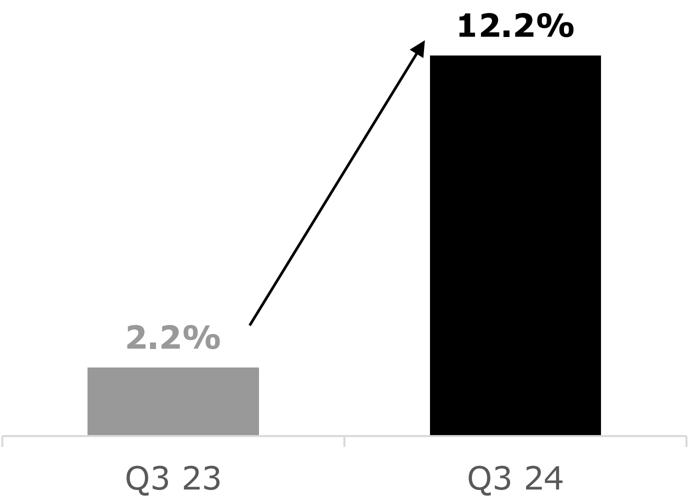
+52.6%



Increase was primarily driven by **higher shipments** to our **mass channel**, **as expected** following aggressive destocking last year, and the strategic addition of Lowe's this year

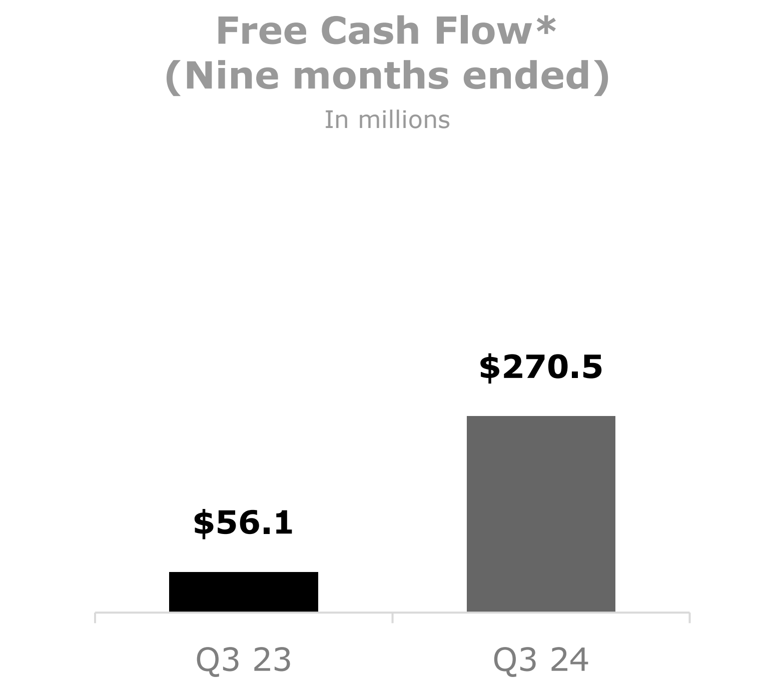
SEGMENT EARNINGS RATE
(as a percentage of net sales)

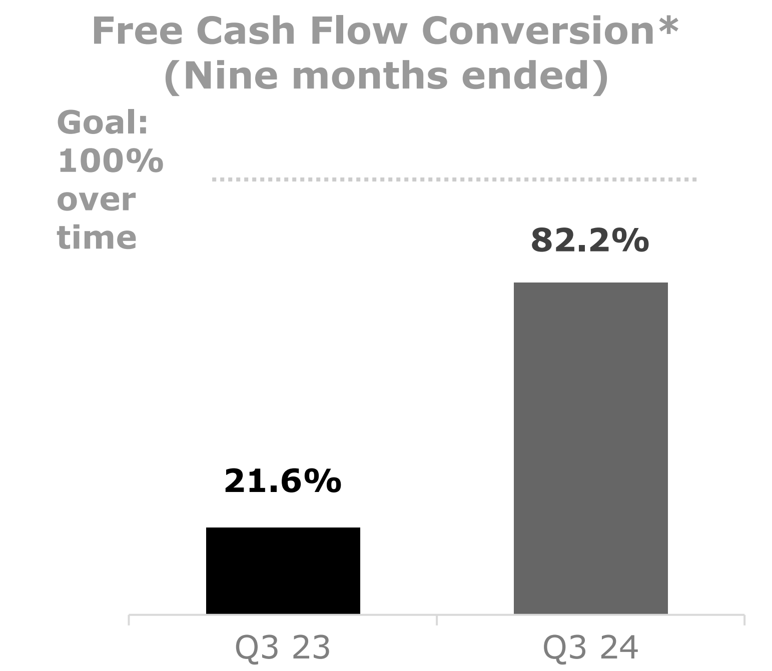
+1000 bps

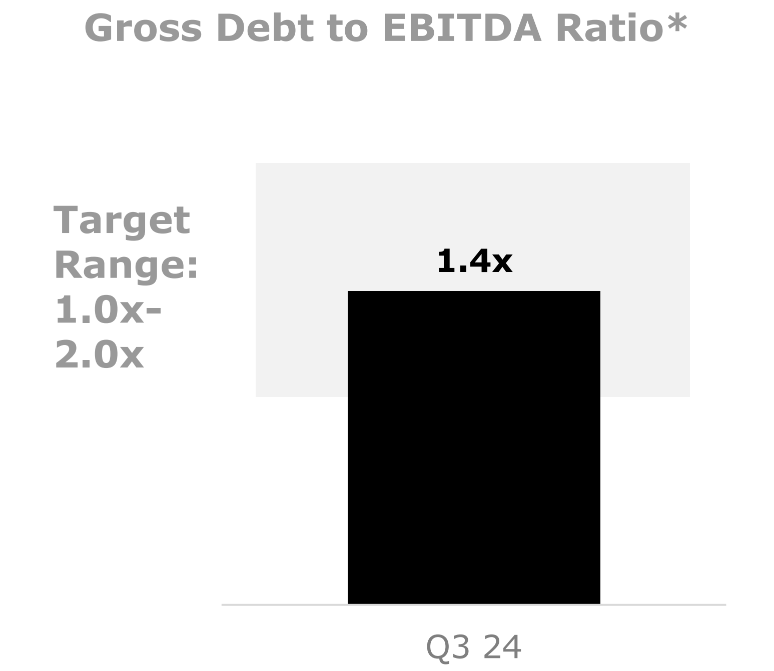


Increase was largely driven by **net sales leverage**, **productivity improvements**, and **net price realization** primarily due to **lower floor plan costs**, partially offset by **product mix** and **higher material and manufacturing costs**

Strong Balance Sheet and Resilient Free Cash Flow







Free cash flow conversion rate of at least 100% expected for the full year, a significant improvement over last year and in line with company's 10-year historical average

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

Effective Capital Deployment

Consistent Priorities	Q3 YTD 2024 Actions
1 Capital expenditures supporting organic growth with high returns	Invested $59.3M to fund new product investments, advanced manufacturing technologies, and capacity for growth within existing manufacturing footprint
2 Strategic approach to acquisitions with disciplined process and proven track record	Company continues to evaluate potential acquisitions with discipline, with an objective of accelerating profitable growth and driving meaningful value for all stakeholders
3 Established dividend with increases commensurate with earnings growth	Returned $112.6M to shareholders via regular dividends, representing a payout increase of 6% year-over-year
4 Excess cash deployed to repurchase shares with a goal to at least offset dilution over time	Returned $109.2M to shareholders via share repurchases; plan to continue repurchases in Q4 2024

Disciplined capital allocation driving long-term value for all stakeholders

Q4 2024 Outlook Commentary
(All on a year-over-year basis unless noted)

Net Sales Growth (%)	Total company up low double digits
	Professional segment up mid teens
	Residential segment down low single digits
Adjusted Diluted EPS* ($)	Meaningfully higher; $0.93 to $0.98 implied
Other Activities ($)	Similar to Q1 2024

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

2024 Net Sales and Adjusted Diluted EPS* Guidance Revised

	Guidance as of June 6, 2024	Updated Guidance as of September 5, 2024
Net Sales Growth (%)	Up Low Single-Digits	Up About 1%
Adjusted Operating Earnings Margin* (%)	Similar to 2023	Slightly Lower Than 2023
Adjusted Diluted EPS* ($)	$4.25 to $4.35	$4.15 to $4.20
Capital Expenditures ($)	~$125M	~$115M
Depreciation & Amortization ($)	$120M to $130M	$120M to $130M
Interest Expense	~$60M	~$60M
Adjusted Effective Tax Rate* (%)	~21%	~19.5%
Free Cash Flow (FCF) Conversion** (%)	~100%	At Least 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

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

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

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APPENDIX

Order Backlog

1. Order backlog at the end of fiscal 2023 was $1.97B, as disclosed in our 10K
2. This is elevated compared to historical levels, driven by sustained demand in underground construction, and golf and grounds businesses
3. Order backlog continues to improve from the $1.97B, and at the end of Q3 2024 was lower both on a year-over-year basis and sequentially from last quarter, driven by our success in driving additional output
4. For specialty construction, which is primarily compact utility loaders, supply and demand have come into balance, as expected; with this, order backlog for these products has normalized
5. For underground construction and golf/grounds businesses, order backlog is expected to remain elevated into 2025, supported by strong demand continuing to outpace supply

Accounts Receivable and Floor Plan Financing

1. TTC's accounts receivable balance consists of sales to mass channel partners, irrigation customers, and many of our international dealers and distributors; balance was up in Q3, as expected, given partnership with Lowe's
2. Majority of US independent dealers and distributors take advantage of inventory floor plan financing programs to fund their purchases, as is customary in our industry
3. Red Iron offers financing for the majority of our domestic dealers and distributors of lawn care, snow and ice management, and golf and grounds solutions, as well as Toro-branded specialty construction products; continued DSO improvement during Q3
4. Third-party institutions also provide financing for a small portion of US dealers and distributors, some international channel partners, and the majority of our Ditch Witch underground construction distribution partners
5. TTC's 45% non-controlling ownership stake in the Red Iron JV allows us to recoup a portion of our floor planning costs, and in accordance with GAAP the JV income is reported within "other income" in our income statement

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

	Three Months Ended		Nine Months Ended	
	August 2, 2024	August 4, 2023	August 2, 2024	August 4, 2023
Net sales	$ 1,156.9	$ 1,081.8	$ 3,507.8	$ 3,570.0
Cost of sales	754.1	709.4	2,307.5	2,322.0
Gross profit	402.8	372.4	1,200.3	1,248.0
Gross margin	34.8 %	34.4 %	34.2 %	35.0 %
Selling, general and administrative expense	254.7	240.2	776.0	760.6
Non-cash impairment charges	—	151.3	—	151.3
Operating earnings (loss)	148.1	(19.1)	424.3	336.1
Interest expense	(14.5)	(15.0)	(47.4)	(43.8)
Other income, net	10.6	5.5	26.6	21.3
Earnings (loss) before income taxes	144.2	(28.6)	403.5	313.6
Income tax provision (benefit)	24.9	(13.6)	74.5	54.2
Net earnings (loss)	$ 119.3	$ (15.0)	$ 329.0	$ 259.4
Basic net earnings (loss) per share of common stock	$ 1.15	$ (0.14)	$ 3.16	$ 2.48
Diluted net earnings (loss) per share of common stock	$ 1.14	$ (0.14)	$ 3.14	$ 2.46
Weighted-average number of shares of common stock outstanding — Basic	104.0	104.3	104.2	104.5
Weighted-average number of shares of common stock outstanding — Diluted	104.5	104.3	104.8	105.4

Segment Data (Unaudited)
(Dollars in millions)

Segment net sales	Three Months Ended August 2, 2024	Three Months Ended August 4, 2023	Nine Months Ended August 2, 2024	Nine Months Ended August 4, 2023
Professional	$ 880.9	$ 896.3	$ 2,643.0	$ 2,845.7
Residential	267.5	175.3	843.2	705.8
Other	8.5	10.2	21.6	18.5
Total net sales*	$ 1,156.9	$ 1,081.8	$ 3,507.8	$ 3,570.0
*Includes international net sales of:	$ 218.2	$ 235.0	$ 691.4	$ 756.7

Segment earnings (loss) before income taxes	Three Months Ended August 2, 2024	Three Months Ended August 4, 2023	Nine Months Ended August 2, 2024	Nine Months Ended August 4, 2023
Professional	$ 165.7	$ 13.0	$ 469.2	$ 384.6
Residential	32.6	3.8	92.2	64.4
Other	(54.1)	(45.4)	(157.9)	(135.4)
Total segment earnings (loss) before income taxes	$ 144.2	$ (28.6)	$ 403.5	$ 313.6

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

	August 2, 2024	August 4, 2023	October 31, 2023
ASSETS			
Cash and cash equivalents	$ 221.1	$ 147.9	$ 193.1
Receivables, net	532.3	390.7	407.4
Inventories, net	1,082.0	1,112.7	1,087.8
Prepaid expenses and other current assets	78.5	80.5	110.5
Total current assets	1,913.9	1,731.8	1,798.8
Property, plant, and equipment, net	635.7	625.0	641.7
Goodwill	450.2	451.3	450.8
Other intangible assets, net	512.4	549.2	540.1
Right-of-use assets	113.2	116.6	125.3
Investment in finance affiliate	46.4	48.5	50.6
Deferred income taxes	38.3	41.7	14.2
Other assets	21.3	21.8	22.8
Total assets	$ 3,731.4	$ 3,585.9	$ 3,644.3

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

	August 2, 2024	August 4, 2023	October 31, 2023
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	$ 25.3	$ —	$ —
Accounts payable	437.8	407.4	430.0
Accrued liabilities	501.6	482.3	499.1
Short-term lease liabilities	19.7	17.8	19.5
Total current liabilities	984.4	907.5	948.6
Long-term debt, less current portion	966.6	1,061.3	1,031.5
Long-term lease liabilities	99.1	101.2	112.1
Deferred income taxes	0.4	0.1	0.4
Other long-term liabilities	44.5	38.7	40.8
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	103.1	103.8	103.8
Retained earnings	1,576.2	1,403.9	1,444.1
Accumulated other comprehensive loss	(42.9)	(30.6)	(37.0)
Total stockholders' equity	1,636.4	1,477.1	1,510.9
Total liabilities and stockholders' equity	$ 3,731.4	$ 3,585.9	$ 3,644.3

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

	Nine Months Ended	
	August 2, 2024	August 4, 2023
Cash flows from operating activities:		
Net earnings	$ 329.0	$ 259.4
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Non-cash income from finance affiliate	(15.8)	(14.1)
Distributions from finance affiliate, net	20.0	4.9
Depreciation of property, plant, and equipment	65.5	56.6
Amortization of other intangible assets	26.3	26.8
Stock-based compensation expense	19.5	14.4
Non-cash impairment charges	—	151.3
Other	0.1	0.7
Changes in operating assets and liabilities, net of the effect of acquisitions:		
Receivables, net	(123.5)	(52.8)
Inventories, net	(1.9)	(46.6)
Other assets	9.6	(74.3)
Accounts payable	5.1	(174.7)
Other liabilities	(4.1)	3.1
Net cash provided by operating activities	329.8	154.7

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

	Nine Months Ended	
	August 2, 2024	August 4, 2023
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(63.6)	(105.7)
Proceeds from insurance claim	4.3	7.1
Business combinations, net of cash acquired	—	(21.0)
Asset acquisition	(0.8)	—
Proceeds from asset disposals	0.2	0.4
Proceeds from divestitures	16.5	—
Net cash used in investing activities	(43.4)	(119.2)
Cash flows from financing activities:		
Net (repayments) borrowings under the revolving credit facility[1]	(40.0)	70.0
Proceeds from exercise of stock options	8.6	19.4
Payments of withholding taxes for stock awards	(3.9)	(3.8)
Purchases of TTC common stock	(109.2)	(60.0)
Dividends paid on TTC common stock	(112.6)	(106.5)
Other	(3.4)	(1.5)
Net cash used in financing activities	(260.5)	(82.4)
Effect of exchange rates on cash and cash equivalents	2.1	6.6
Net increase (decrease) in cash and cash equivalents	28.0	(40.3)
Cash and cash equivalents as of the beginning of the fiscal period	193.1	188.2
Cash and cash equivalents as of the end of the fiscal period	$ 221.1	$ 147.9

[1] Presentation of prior year revolving credit facility and long-term debt activity has been conformed to the current year presentation. There was no change to net cash used in financing activities.

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 and nine month periods ended August 2, 2024 and August 4, 2023:

	Three Months Ended		Nine Months Ended	
	August 2, 2024	August 4, 2023	August 2, 2024	August 4, 2023
Gross profit	$ 402.8	$ 372.4	$ 1,200.3	$ 1,248.0
Acquisition-related costs[1]	—	—	—	0.2
Productivity initiative[2]	6.9	—	6.9	—
Adjusted gross profit	$ 409.7	$ 372.4	$ 1,207.2	$ 1,248.2
Gross margin	34.8 %	34.4 %	34.2 %	35.0 %
Productivity initiative[2]	0.6 %	— %	0.2 %	— %
Adjusted gross margin	35.4 %	34.4 %	34.4 %	35.0 %
Operating earnings (loss)	$ 148.1	$ (19.1)	$ 424.3	$ 336.1
Acquisition-related costs[1]	—	—	—	0.5
Productivity initiative[2]	10.9	—	19.2	—
Non-cash impairment charges[3]	—	151.3	—	151.3
Adjusted operating earnings	$ 159.0	$ 132.2	$ 443.5	$ 487.9
Operating earnings (loss) margin	12.8 %	(1.8) %	12.1 %	9.4 %
Productivity initiative[2]	0.9 %	— %	0.5 %	— %
Non-cash impairment charges[3]	— %	14.0 %	— %	4.3 %
Adjusted operating earnings margin	13.7 %	12.2 %	12.6 %	13.7 %

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

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	August 2, 2024	August 4, 2023	August 2, 2024	August 4, 2023
Earnings (loss) before income taxes	$ 144.2	$ (28.6)	$ 403.5	$ 313.6
Acquisition-related costs[1]	—	—	—	0.5
Productivity initiative[2]	6.6	—	14.9	—
Non-cash impairment charges[3]	—	151.3	—	151.3
Adjusted earnings before income taxes	$ 150.8	$ 122.7	$ 418.4	$ 465.4
Income tax provision (benefit)	$ 24.9	$ (13.6)	$ 74.5	$ 54.2
Acquisition-related costs[1]	—	—	—	0.1
Productivity initiative[2]	1.2	—	2.9	—
Non-cash impairment charges[3]	—	36.7	—	36.7
Tax impact of share-based compensation[4]	1.0	0.2	3.5	5.0
Adjusted income tax provision	$ 27.1	$ 23.3	$ 80.9	$ 96.0
Net earnings (loss)	$ 119.3	$ (15.0)	$ 329.0	$ 259.4
Acquisition-related costs, net of tax[1]	—	—	—	0.4
Productivity initiative, net of tax[2]	5.4	—	12.0	—
Non-cash impairment charges, net of tax[3]	—	114.6	—	114.6
Tax impact of share-based compensation[4]	(1.0)	(0.2)	(3.5)	(5.0)
Adjusted net earnings	$ 123.7	$ 99.4	$ 337.5	$ 369.4

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

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	Three Months Ended		Nine Months Ended	
	August 2, 2024	August 4, 2023	August 2, 2024	August 4, 2023
Net earnings (loss) per diluted share	$ 1.14	$ (0.14)	$ 3.14	$ 2.46
Productivity initiative, net of tax[2]	0.05	—	0.11	—
Non-cash impairment charges, net of tax[3]	—	1.09	—	1.09
Tax impact of share-based compensation[4]	(0.01)	—	(0.03)	(0.05)
Adjusted net earnings per diluted share	$ 1.18	$ 0.95	$ 3.22	$ 3.50
Effective tax rate	17.3 %	47.6 %	18.5 %	17.3 %
Non-cash impairment charges[3]	— %	(27.5) %	— %	1.7 %
Tax impact of share-based compensation[4]	0.7 %	(1.1) %	0.8 %	1.6 %
Adjusted effective tax rate	18.0 %	19.0 %	19.3 %	20.6 %

1 On January 13, 2022, the company completed the acquisition of Intimidator Group. Acquisition-related costs for the nine month period ended August 4, 2023 represent integration costs.

2 In the first quarter of fiscal 2024, the company launched the "Amplifying Maximum Productivity" or AMP initiative. The company considered the nature, frequency, and scale of this initiative compared to prior productivity initiatives when determining that the expenses associated with AMP, unlike prior productivity initiatives, are not common, normal, recurring operating expenses and are not representative of the company's ongoing business operations. Productivity initiative charges for the three and nine month periods ended August 2, 2024 primarily represent third-party consulting costs, product-line exit costs, asset write-offs, and compensation for fully-dedicated AMP personnel, partially offset by a gain on divestiture.

3 At the end of the third quarter of fiscal 2023, the company recorded non-cash impairment charges within our Professional reportable segment related to the Intimidator Group operating segment.

4 The accounting standards codification guidance governing employee stock-based compensation requires that any excess tax deduction for stock-based compensation be immediately recorded within income tax expense. Employee stock-based compensation activity, including the exercise of stock options, can be unpredictable and can significantly impact our net earnings, net earnings per diluted share, and effective tax rate. These amounts represent the discrete tax benefits recorded as excess tax deductions for stock-based compensation during the three and nine month periods ended August 2, 2024 and August 4, 2023.

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, net of proceeds from insurance claim. 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 nine month periods ended August 2, 2024 and August 4, 2023:

	Nine Months Ended	
(Dollars in millions)	**August 2, 2024**	**August 4, 2023**
Net cash provided by operating activities	$ 329.8	$ 154.7
Less: Purchases of property, plant and equipment, net of proceeds from insurance	59.3	98.6
Free cash flow	$ 270.5	$ 56.1
Net earnings	$ 329.0	$ 259.4
Free cash flow conversion percentage	82.2 %	21.6 %

Gross Debt to EBITDA Ratio

($ millions)	Q4 23	Q1 24	Q2 24	Q3 24	Total
Long Term Debt, less current portion	$1,031.5	$1,186.6	$1,016.8	$966.6	$966.6
Gross Debt	**$1,031.5**	**$1,186.6**	**$1,016.8**	**$966.6**	**$966.6**
Earnings Before Income Taxes	**$86.9**	**$80.1**	**$179.2**	**$144.2**	**$490.4**
Interest Expense	$14.9	$16.2	$16.7	$14.5	$62.3
Depreciation and Amortization	$35.8	$30.7	$30.2	$30.9	$127.6
EBITDA	**$137.6**	**$127.0**	**$226.1**	**$189.6**	**$680.3**
Leverage Ratio					**1.4x**