

REVIEW OF OPERATIONS

# Power Equipment



Sales

**37.0% ↑ US\$12.0 b**

Operating Profit

**37.8% ↑ US\$1.2 b**

MILWAUKEE M18 FUEL 1-1/8" SDS Plus Rotary Hammer w/ ONE-KEY

## Power Equipment

Our Power Equipment segment delivered sales growth of 37.0% to US\$12.0 billion. We grew operating profit 37.8% to US\$1.2 billion while making investments to extend our leadership position in the Professional and DIY Tool markets. Based on the wide international reach of our brands, we believe MILWAUKEE is the #1 global Professional Tool brand, and RYOBI is the #1 DIY Tool brand worldwide. More importantly, both MILWAUKEE and RYOBI are the clear leaders in the cordless market, with a commanding and growing global position.

## MILWAUKEE

In 2021, we grew our flagship Milwaukee business 40.6%. The introduction of innovative new products to expand our industry leading M18 and M12 cordless product platforms led this growth. In addition, the breakthrough MILWAUKEE MX FUEL Light Equipment platform continued to gain traction. We also expanded our existing line up of power tool accessories, PACKOUT storage solutions, Personal Protective Equipment (PPE) and Mechanics Hand Tools. These new product introductions, combined with our focus on end user conversions and strong commercial execution, continue to propel the outstanding growth momentum of this business.

## Power Tools

Our Milwaukee business continued to convert users from traditional power sources including corded, pneumatic, hydraulic and petrol tools to our lithium cordless battery technology. Leading the way is the MILWAUKEE M18 system with 251 tools on the platform, the M12 system with 139 tools and the MX FUEL range with 13 products.

After we introduce a key new product, we immediately focus on engineering the next generation with additional features, improved run-time, power, speed, life, and compactness. In 2021, we launched 8 next generation MILWAUKEE M18 products including SDS Plus Rotary Hammers, Small Angle Grinders, and Finish Nailers.

We also expanded the MILWAUKEE M12 sub compact cordless platform with a series of innovative tools. One of the highlights includes the M12 FUEL High Speed Ratchet, which allow users to increase their productivity and is selling at rates well beyond expectations.



MILWAUKEE M12 FUEL 1/4" High Speed Ratchet



### **MILWAUKEE M18 FUEL BLOWER**

The M18 FUEL Blower has the power to clear from 15 ft, gets to full throttle in under 1 second, and is up to 4 lbs lighter than competitors.



### **MILWAUKEE M18 FUEL 16" CHAINSAW**

The M18 FUEL 16" Chainsaw delivers the power to cut hardwoods, cuts faster than gas, and delivers up to 150 cuts per charge.

## **Outdoor Products**

We identified a vast opportunity to transform outdoor power equipment from petrol to battery-powered. To capitalize on this opportunity, we created a business unit that strictly focuses on battery-powered outdoor products. Our obsession is to catalyze a stampede away from petrol to battery, to improve the performance of outdoor products while eliminating carbon emissions and reducing noise. MILWAUKEE is well positioned to lead this revolution for professional grade outdoor equipment by introducing best in class performance through advanced batteries, charging, motor design and most importantly, firmware. In 2022, we will launch our new MILWAUKEE M18 FUEL 21" Self-Propelled battery-powered mower that delivers a breakthrough mowing performance, while also achieving new levels of sustainability and noise reduction. Fortunately, MILWAUKEE is not burdened with a legacy petrol business, so the entire product development system is 100% focused on leadership battery-powered products.

## **Storage**

In addition, we continue to expand our revolutionary MILWAUKEE PACKOUT storage system to meet the growing storage, transportation, and organizational needs of the professional user. With the recent additions of the PACKOUT deep organizer, rolling jobsite box, and XL toolbox, this innovative system now contains 45 interchangeable products.



MILWAUKEE PACKOUT Rolling Tool Chest

## **Personal Protective Equipment**

When we identified a significant opportunity for improved Personal Protective Equipment (PPE) in the market, we established a team to focus on developing breakthrough innovative products. We have now launched over 600 SKUs of PPE, all specifically tailored to bring better protection, comfort, safety, and productivity to our users. The flagship of our new PPE product range is in the ubiquitous hard hat arena. Our MILWAUKEE Safety Helmet range that has created an environment where users are safer, more comfortable and productive.



MILWAUKEE White Vented Safety Helmet – Type II, Class C

## RYOBI

We believe RYOBI is the #1 global DIY Tool brand featuring 162 tools, 74 outdoor products, and 18 cleaning products in the ONE+ battery system alone. In 2021, our RYOBI 18V ONE+ High Performance (HP) brushless products elevated the performance of RYOBI, providing a better experience for professionals and DIY users alike. Led by the runaway success of the RYOBI ONE+ HP Compact Brushless Drill Driver, the HP Platform now contains 37 products, and is rapidly growing. We cannot be more excited about the future RYOBI ONE+ HP new product pipeline, featuring a RYOBI ONE+ HP Table Saw, RYOBI ONE+ HP Track Saw, and RYOBI ONE+ HP AIRSTRIKE 18ga Brad Nailer to name just a few.

The Ryobi outdoor business delivered another year of outstanding results, led by our global leadership of battery-powered lawn mowers, battery-powered snow blowers, and cordless handheld outdoor equipment. Our range of 41 cordless RYOBI mowers and 6 snow blowers are leading the revolution from the legacy petrol market to our environmentally friendly lithium cordless technology. In addition to being carbon-emission free in use, these products offer superior performance, increasing levels of power without any of the harmful carbon emissions and noise.

One of our leadership initiatives at TTI is attacking noise pollution. Awareness of this harmful issue is growing as local governments are increasingly enacting legislation restricting the use of loud petrol powered outdoor equipment. We are the global leader in acoustic engineering and the subsequent reduction of noise in outdoor products. For example, our RYOBI WHISPER series of quiet blowers, mowers, chainsaws, and other outdoor equipment represents a breakthrough in sound reduction on outdoor battery products that delivers incredible power without the noise. We are incredibly excited about the revolutionary research MILWAUKEE is doing in acoustic engineering for the new product pipeline.



### **RYOBI 18V ONE+ HP BRUSHLESS AIRSTRIKE 18GA BRAD NAILER**

Featuring AIRSTRIKE technology, this nailer eliminates the need for noisy compressors, bulky hoses or expensive gas cartridges. This means faster setup and easy maneuverability on the job site.



### **RYOBI 40V HP BRUSHLESS 24" TWO-STAGE SNOW BLOWER**

Equipped with four 40V 6.0Ah batteries and dual brushless motors, this snow blower allows you to plow through snow easier than ever before.



RYOBI 18V ONE+ & 40V WHISPER SERIES Family

REVIEW OF OPERATIONS

# Floorcare & Cleaning

**9.4%**

of Total Revenue

Sales

**14.8% ↑ US\$1.2 b**

Operating Profit

**18.7% ↑ US\$29.2 m**

HOOVER CLEANSLATE PET Carpet & Upholstery Spot Cleaner

## Floorcare & Cleaning

Our Floorcare and Cleaning business accounted for 9.4% of TTI total sales, increasing 14.8% to US\$1.2 billion, while generating US\$29.2 million of operating profit, up 18.7% from 2020. These results reflect our disciplined efforts to produce best in class cordless and carpet washing cleaning products.

We delivered double-digit growth in the carpet washing category led by the success of our new HOOVER CLEANSLATE Spot Cleaner, which combines powerful suction, versatile tools, and the performance of the Oxy formula to permanently remove stains and messes. We are looking forward to expanding this innovative technology into more products and cleaning applications in the future.

The Global Floorcare and Cleaning business is well positioned to deliver consistently improving sales and financial performance in the months and years ahead.



HOOVER ONEPWR BLADE+ Cordless Vacuum



VAX RAPID POWER 2 Reach Carpet Cleaner

# Financial Review

## Financial Results

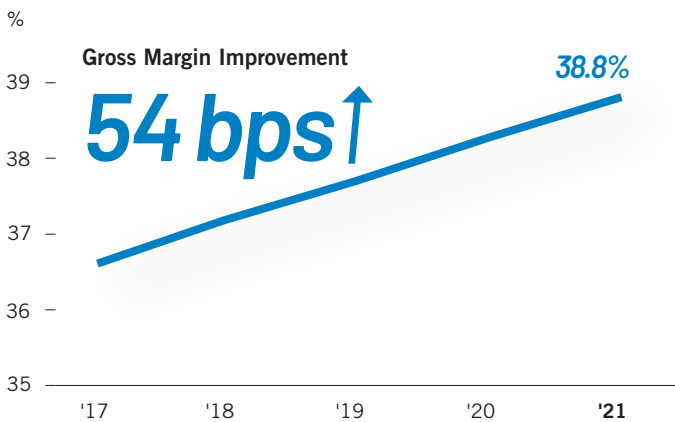
### Result Analysis

The Group's revenue for the year amounted to US\$13.2 billion, an increase of 34.6% as compared to US\$9.8 billion in 2020. Profit attributable to Owners of the Company amounted to US\$1,099 million as compared to US\$801 million in 2020, an increase of 37.2%. Basic earnings per share for the year improved to US60.04 cents as compared to US43.80 cents in 2020.

EBIT amounted to US\$1,192 million, an increase of 37.2% as compared to US\$868 million in 2020.

### Gross Margin

Gross margin improved to 38.8% as compared to 38.3% last year. The margin improvement was the result of new product introduction, product mix, category expansion, improvements in operational efficiency and supply chain productivity together with very effective action plans to navigate global supply constraints, commodity headwinds and logistic costs increase.



### Operating Expenses

Total operating expenses for the year amounted to US\$3,943 million as compared to US\$2,896 million in 2020, representing 29.9% of turnover (2020: 29.5%). The increase was mainly due to the strategic investments in new products and promotional activities to maintain the sales growth momentum, margin improvements and high service levels.

Investments in product design and development amounted to US\$426 million, representing 3.2% of turnover (2020: 3.2%) reflecting our continuous strive for innovation. We will continue to invest in breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the year amounted to US\$10 million as compared to US\$7 million in 2020, an increase of 34.2%. Interest coverage, expressed as a multiple of EBITDA to total interest was 38.6 times (2020: 28.5 times).

The effective tax rate, being tax charged for the year to before tax profits was at 7.0% (2020: 7.0%). The Group will continue to leverage its global operations and align its strategy to cope with various tax policies change globally to further improve overall tax efficiencies.

## Liquidity And Financial Resources

### Shareholders' Funds

Total shareholders' funds amounted to US\$4.7 billion as compared to US\$3.9 billion in 2020. Book value per share was at US\$2.57 as compared to US\$2.13 last year, an increase of 20.7%.

### Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2021, the Group's cash and cash equivalents amounted to US\$1,874 million (2020: US\$1,534 million), of which 55.3%, 12.1%, 10.7%, and 21.9% were denominated in US\$, RMB, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, was at 28.2% as compared to net cash in 2020.

### Bank Borrowings

Long term borrowings accounted for 32.1% of total debts (2020: 71.4%).

The Group's major borrowings continued to be in US Dollars. Borrowings are predominantly LIBOR based. There is a natural hedge mechanism in place as the Group's major revenues are in US Dollars and currency exposure therefore is low. Currency, interest rate exposures, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Amongst the bank borrowings, fixed rate debts account for 23.0% of the total bank borrowings, the balance being floating rate debts.

### Working Capital

Total inventory was at US\$4,850 million as compared to US\$3,224 million in 2020. Days inventory increased by 14 days from 120 days to 134 days. The higher inventory days as compared to past years was mainly due to the strategic decision to carry a higher level of inventory to support our service level in considering our high growth momentum, to buffer inflation risk and critical component shortage. The Group will continue to focus on managing the inventory level and improve inventory turns.

Trade receivable turnover days were at 53 days as compared to 48 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 50 days as compared to 47 days last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were 110 days as compared to 117 days in 2020 as the Group managed to leverage the volume and order visibility for better trade terms from suppliers.

Working capital as a percentage of sales was at 20.9% as compared to 14.0% in 2020.

### Capital Expenditure

Total capital expenditures for the year amounted to US\$747 million (2020: US\$459 million).

### Capital Commitments and Guarantees

As at December 31, 2021, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US\$235 million (2020: US\$104 million), and there were no material guarantees or off balance sheet obligations.



## Charge

None of the Group's assets are charged or subject to encumbrance.

## Major Customers and Suppliers

For the year ended December 31, 2021

- (i) the Group's largest customer and five largest customers accounted for approximately 47.5% and 59.1% respectively of the Group's total revenue ; and
- (ii) the Group's largest supplier and five largest suppliers accounted for approximately 5.7% and 18.8% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any shareholders who owned more than 5% of TTI's share capital had any interest in the five largest customers or suppliers of the Group.

## Human Resources

The Group employed a total of 51,426 employees as at December 31, 2021 (2020: 48,028) in Hong Kong and overseas. Total staff cost for the year under review amounted to US\$2,207 million (2020: US\$1,584 million).

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improving the quality, competence and skills of all employees. It provides job-related training and leadership development programs throughout the organization. The Group continues to offer competitive remuneration packages, discretionary share options and bonuses to eligible staff, based on the performance of the Group and the individual employee.

## Corporate Strategy and Business Model

The Group is a world-class leader in design, manufacturing and marketing of power tools, outdoor power equipment and floorcare & cleaning for consumers, professional and industrial users in the home improvement, infrastructure and construction industries. We are committed to implementing our long term strategic plan that focuses on "Powerful brands, Innovative Products, Operational Excellence and Exceptional People".

We continue to strengthen our portfolio of powerful brands with a focused marketing approach. Brands extension into new product categories and under-represented markets enable us to generate outstanding growth. Geographic expansion will be a highlight of TTI's future, our long term strategy is to aggressively build our business both inside and outside North America and we have spent relentless efforts to expand and establish presence in high potential markets around the world.

Introducing innovative new products is the centerpiece of our long term strategy. We continue to invest in building a high-speed product development process, enabling us to respond faster to customer requests and emerging opportunities, giving us a vigorous competitive advantage.

Our strategy in operational excellence will continue, we will drive further gains in efficiency across our manufacturing operations, supporting further margin improvement.

We continue to deploy our Leadership Development Program (LDP) to develop our pool of talent for the future. The LDP initiative is successfully feeding talent into key positions throughout the company.

### Purchase, Sale or Redemption of Securities

Other than 4,750,000 shares of the Company purchased on-market by the trustee for satisfying the awarded shares granted under the Company's share award schemes (details of which will be set out in the Corporate Governance Report to be included in this Annual Report), neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### Review of Financial Information

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2021. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

### Dividend

The Directors have recommended a final dividend of HK 1 dollar (approximately US\$12.87 cents) per share with a total of approximately US\$236,098,000 for the year ended December 31, 2021 (2020: HK82.00 cents (approximately US\$10.55 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 20, 2022. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about June 17, 2022. This payment, together with the

interim dividend of HK85.00 cents (approximately US\$10.94 cents) per share (2020: HK53.00 cents (approximately US\$6.82 cents)) paid on September 17, 2021, makes a total payment of HK185.00 cents (approximately US\$23.81 cents) per share for 2021 (2020: HK135.00 cents (approximately US\$17.37 cents)).

### Closure of Register of Members

The register of members of the Company will be closed for the following periods:

To ascertain members' eligibility to attend and vote at the 2022 Annual General Meeting, the register of members of the Company will be closed from May 11, 2022 to May 13, 2022, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2022 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 10, 2022.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 20, 2022 when no transfers of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 19, 2022.