

# Chief Executive Officer's Message



**2021 was an epic year for TTI, with organic sales growth of \$3.4 billion. Not only did we grow the business by 34.6%, but we did so while improving gross margin and net profit at a faster rate than sales. Our unwavering strategic focus on cordless technology drove this extraordinary performance.**

We are leading the once-in-a-generation shift from petrol, corded, manual, hydraulic, and pneumatic products to cordless in power tools, light equipment, outdoor products, and cleaning. Our technologically advanced cordless products command a premium in the market, which drives our continued gross margin improvement. 2021 was the 13<sup>th</sup> consecutive year of gross margin improvement, funding additional strategic SG&A investments in R&D, new product development, in-field marketing specialists, digital marketing, store coverage, and geographic expansion. This virtuous cycle of gross margin improvement and strategic SG&A reinvestment to drive sales and gross margin improvement is a core strategy that has allowed us to consistently deliver on our commitment of outgrowing the market while improving our financial performance.

## **Powerful Brands**

In addition to delivering spectacular results in 2021, I have never been more optimistic about the future growth engines of the company. MILWAUKEE is the number one and fastest-growing global brand in the professional tool market, while RYOBI is the number one DIY tool and cordless outdoor power equipment brand worldwide. We have also expanded our best-in-class offering of MILWAUKEE professional cordless outdoor equipment, which is now the fastest-growing brand of cordless professional-grade outdoor products for landscapers and lawn and garden enthusiasts.

***“While we are pleased with our 2021 performance, we firmly believe the next five years will be a tremendous period for company’s sales and profit growth.”***

### **Cordless Leadership**

We are laser-focused on developing advanced, demonstrably better and technologically superior cordless products. Our development process is driven by the end user’s needs from start to finish. As an example, when developing our new flagship RYOBI 80V HP Zero-Turn Riding Mower, we started from a blank canvas rather than working to “electrify” an existing petrol-powered product. This allowed us to optimize each critical component of the mower to maximize power and performance while adding new innovative features.

In addition to developing one runaway successful product after another, the network effect of our interchangeable battery systems compounds our growth trajectory. Every additional product we add to the system increases the value of the entire platform to our end customer. For example, the flagship MILWAUKEE M18 platform now has 251 products that run off the same M18 battery and is rapidly growing. This is attractive to new customers who gain access to a wide range of tools that run off the same powerful battery. It also creates a loyal customer base with access to a continuous stream of new products available as bare tools powered by batteries they already own. This is a key tenant of our cordless strategy and is deployed across all our TTI battery platforms.

### **Supply Chain Investments**

In 2021, we continued to make bold investments in additional manufacturing capacity to support our future growth. Construction is currently underway on greenfield manufacturing sites in the US and Vietnam while we continue to invest in our world-class existing facilities across Asia, North America, and Europe. Our expanding global manufacturing footprint allows us to produce high-quality products with the flexibility to quickly react to changing environmental and geopolitical factors. All TTI sites worldwide adhere to the TTI OPEX philosophy of delivering world-class quality, driving increased productivity, and maintaining best-in-class service levels for our customers.

We have also strategically partnered with key suppliers to develop the latest technology. These close partnerships allow us to deliver on our internal mandate of disrupting our core products with next-generation models that have more power, compactness, longer life, or a multitude of other features. Our strategic suppliers did a magnificent job delivering advanced technology and steady component supply throughout 2021.

## Exceptional People

We continued with our aggressive hiring plans in 2021, adding another 2,031 high-potential college graduates to our Leadership Development Program (LDP). Since its beginning over 14 years ago, this program has supported our growth by creating a pipeline of future leaders across the engineering, sales, marketing, purchasing, supply chain, manufacturing, and finance disciplines. Software and electronics engineering is an especially high focus, as we have augmented our R&D powerhouse with newly recruited engineers who drive technological advancements and accelerate the pace of our new product launches.

In addition to bolstering our workforce with high-potential college graduates, we've focused on further developing our high-performance culture across all levels and functions of the organization. The depth of our team has never been more impressive, with many of our LDP graduates leading functions across the organization with increasing levels of responsibility. The deep commitment and dedication of our highly talented team to users, customers, and distribution partners across the globe is a competitive advantage that powers our growth.

## Geographic Expansion Success

Our breathtaking growth in the European theater exemplifies the power of our world-class management team. We have gone from a very small presence in Europe to a commanding cordless leadership and growth position. The European team's success is a great example of the company's ability to continue to grow outside the core US market. In addition to Europe, we have been able to achieve incredibly strong growth levels in Canada, Mexico, Australia/New Zealand, and Asia. I am enormously impressed by the quality of our world-class team across the globe.

## Sustainability

Our mission is to lead the industry in clean tech innovation, environmental sustainability, social responsibility, and ethical corporate governance. Sustainability best practices are embedded in all layers of the organization and across all functions. This year, we committed to reducing our absolute SCOPE 1 and SCOPE 2 Greenhouse Gas (GHG) emissions by 60% in 2030. Our team has rallied around this commitment and has started making excellent progress towards our goal. For example, we recently committed to a green energy initiative in the State of Wisconsin, powering our sites in the area with electricity generated from clean sources.

Another one of our leadership initiatives in sustainability is developing carbon and noise pollution-free battery-powered outdoor products. RYOBI has led the revolution away from noisy, petrol-powered outdoor equipment with a fleet of battery-powered lawn mowers, battery-powered snow blowers, and cordless handheld outdoor equipment. We have also launched a premium line of MILWAUKEE battery-powered professional-grade outdoor equipment, led by the flagship MILWAUKEE M18 FUEL 21" Self-Propelled Dual Battery Mower.

From raw material sourcing, manufacturing operations, supply chain, transportation, and new product development, I am incredibly proud of how our team has developed a core competency in sustainability. We firmly believe that our ability to grow as a company is closely linked to our ESG performance.

## The Best is Yet to Come

In 2021, we dramatically outpaced the market and strengthened our global leadership position. Our bold investments in new product development, manufacturing, logistics, geographic expansion, and in-field marketing initiatives drove our growth and extended our position as industry leaders. While we are pleased with our 2021 performance, we firmly believe the next five years will be a tremendous period for the company's sales and profit growth.

I want to thank our Chairman, Horst Pudwill, and Vice-Chairman, Stephan Pudwill for their bold leadership and unwavering support. We share a vision for sustainable global cordless dominance, and I am proud of being a part of a team that consistently outperforms the market. This is just the beginning of our journey, and I am confident that the best is yet to come.



**Joseph Galli Jr**  
Chief Executive Officer  
March 2, 2022

## Powerful Brands

- MILWAUKEE is the number one and fastest-growing global brand in the professional tool market
- MILWAUKEE professional cordless outdoor equipment series is now the fastest-growing brand of cordless professional grade outdoor products
- RYOBI is the number one DIY tool and cordless outdoor power equipment brand worldwide

## Cordless Leadership

- The network effect of our interchangeable battery systems compounds our growth trajectory
- Laser-focused on developing advanced, demonstrably better and technologically superior cordless products
- We focus on disruptively innovating our existing core products

## Supply Chain Investments

- Bold investments in additional manufacturing capacity to support future growth
- We continue to invest in world-class facilities across Asia, North America, and Europe
- All TTI sites worldwide adhere to the TTI OPEX philosophy of delivering world-class quality, driving increased productivity, and maintaining best-in-class service levels for our customers

## The Best is Yet to Come

- In 2021, we dramatically outpaced the market and strengthened our global leadership position
- We share a vision for sustainable global cordless dominance
- We firmly believe the next five years will be a tremendous period for our sales and profit growth

## Exceptional People

- Focus on developing a high-performance culture across all levels and functions of the organization
- We added another 2,031 high-potential college graduates into our Leadership Development Program (LDP)
- Our winning culture is a competitive advantage that powers our growth

## Geographic Expansion Success

- Our breathtaking growth in the European theater exemplifies the power of our world-class management team
- The European team's success is a great example of the company's ability to continue to grow outside the core US market
- Achieved incredibly strong growth levels in Canada, Mexico, Australia/New Zealand, and Asia

## Sustainability

- Our mission is to lead the industry in clean tech innovation, environmental sustainability, social responsibility, and ethical corporate governance
- Committed to reducing our absolute SCOPE 1 and SCOPE 2 Greenhouse Gas (GHG) emissions by 60% in 2030
- Our ability to grow as a company is closely linked to our ESG performance