

Chief Executive Officer's Message



2022 was another successful year for TTI. We grew +2.8% in local currency to US\$13.3 billion in sales, which is in addition to our exceptional +28% sales growth in 2020 and +35% growth in 2021. Gross Margin improved for the 14th consecutive year to 39.3% and EBIT also improved to US\$1.2 billion.

Free Cash Flow was another highlight, finishing the year with US\$329 million of positive cash generation. More importantly, we are well positioned to continue delivering strong financial performance and free cash flow in the years ahead.

It is our mission to convert users from products using legacy power sources like petrol, corded, manual, hydraulic, and pneumatic to our cordless solutions in the power tool, light equipment, outdoor products, and cleaning categories. Our technologically advanced cordless products command a premium in the market, especially within our MILWAUKEE business, which drives our continued gross margin improvement. In addition, the growth of our aftermarket battery business to US\$1.3 billion in sales revenue in 2022, is another major driver of our gross margin accretion.

Powerful Brands

In 2022, our Flagship MILWAUKEE business delivered +22% growth in local currency. This is the 9th consecutive year with local currency growth over 20%, making MILWAUKEE the number one and fastest-growing global brand in the professional cordless power tool market. Beyond cordless, MILWAUKEE is also well known for innovation in power tool accessories, PACKOUT storage solutions, hand tools, and Personal Protective Equipment. One example of breakthrough innovation in 2022 included the launch of our MILWAUKEE BOLT compatible helmets and hard hats. These helmets provide greater protection from falling objects with customizable accessories that allows users to choose compatible face, ear, and eye protection, as well as other features that work together on the helmet.

The winning, high performance, high speed, transparent TTI culture we have inculcated throughout the company is a powerful driver of our results.

RYOBI also continued to strengthen its leadership position in 2022 as the number one DIY tool and battery-powered outdoor brand worldwide. We are very excited about the strength of the new product pipeline within the RYOBI 18V ONE+, RYOBI 40V, RYOBI USB Lithium, and RYOBI 80V cordless platforms.

Geographic Expansion Success

Across the globe, our world-class international teams delivered excellent results in 2022. I could not be more proud of our continued success in Europe, where we have grown from a very small presence to a position of commanding cordless leadership. We also continued to make strong advancements across the Asian theater, led by our MILWAUKEE MX FUEL Light Equipment System rollout in Japan. Additionally, our results in Canada, Mexico, Australia, and New Zealand all significantly outperformed their respective markets.

Advanced Research and Development

TTI's success as a company is reliant on the introduction of high quality, margin accretive new products and our drive for advancing cordless technology only continues to intensify. We are a leader in recruiting highly sought-after software, electrical, and other technical engineers to accelerate the pace of our technological advancements. In 2022, we added another 879 engineers into our distinguished research and development system. Breakthrough products like the 4th Generation MILWAUKEE M18 FUEL Drill Driver launched in 2022 would not have been possible without the contributions of this advanced talent.

Not only are these 4th Generation tools more powerful, faster, quieter, cooler, lighter, more compact, equipped with electronics to charge

faster and extend battery life cycle, but they are also the first in the industry to utilize Machine Learning. The advanced electronics within the tool leverage a combination of real-life and machine data points to allow the tool to react to situations where it needs to shut down the tool's motor to prevent over-rotation and potential injuries to users. The future of this Machine Learning technology within the cordless power tool, light equipment, battery-powered outdoor, and cleaning categories is very exciting.

Sustainability

Responsible sustainability practices are embedded deep into our culture at TTI but are especially engrained in our product development processes. The selection of environmentally-friendly raw materials, responsibly mined natural elements, and vendors with impeccable safety standards are all required. Even more importantly, we believe we are leading the industry in cleantech cordless products that lower the end user's carbon emission output, noise pollution, and improve the end user's safety.

World Class Global Supply Chain

The bold investments we have made to enhance our manufacturing and distribution capabilities have increased the agility of the company, accelerating our speed to market while maximizing operational flexibility. We have now expanded beyond our world-class manufacturing center in China, into Vietnam, Mexico and the United States. I am especially excited about the opening of our new, state-of-the-art, hand tool factory in West Bend, Wisconsin. This factory will set a new standard for hand tool manufacturing with proprietary automation that improves safety and operational efficiencies.

Exceptional People

Since its beginning over 15 years ago, the TTI Leadership Development Program has supported our growth by creating a pipeline of future leaders across the engineering, sales, marketing, purchasing, supply chain, manufacturing, and finance disciplines. In 2022, we continued to infuse the program with 1,830 high potential graduates from top universities worldwide. These graduates bolster our high-performance culture and continue to develop into leadership roles of increasing responsibility over time. Since joining the program off the college campus, we now have 1 LDP graduate in a Business Unit President position, 36 Vice Presidents, 63 Directors, and over 1,000 in Manager level positions. We are committed to developing even more LDPs into meaningful leadership roles throughout the organization in 2023 and beyond.

We also have the deepest senior management team in the industry, with many executives in place for over a decade. I am thankful for the commitment and dedication of our highly talented team and believe this is a powerful competitive advantage that powers our continued growth.

Breakthrough Leadership

The winning, high performance, high speed, transparent TTI culture we have inculcated throughout the company is a powerful driver of our results. We launched the “Breakthrough Leadership” management training initiative in 2019 to catalyze and perpetuate our TTI culture and to develop strong leadership and strategic skills throughout the company. Each year, top worldwide leaders meet for an intensive session on company objectives and strategies, organizational development, culture building, and leadership. These powerful sessions result in many new relationships and new perspectives to help the team reach their full potential. Additionally, the attendees leave the sessions energized to pursue breakthrough changes and intensify our culture throughout their organization.



Joseph Galli Jr
Chief Executive Officer
March 1, 2023

A Vision for Cordless Leadership

While we were encouraged with our performance throughout a challenging 2022, we are especially excited about the plans we have in place for the next five years. It is through our bold strategic direction, operational excellence, exceptional team, and TTI culture that we have consistently delivered on our goals of outgrowing the market, driving gross margin improvement, growing EBIT faster than sales, and delivering strong cash flow. The recent investments we've made in new product development, manufacturing, logistics, geographic expansion, and in-field marketing initiatives have created a strong foundation for our continued growth. We are well positioned to continue to extend our global cordless leadership while delivering strong financial performance.

I feel incredibly fortunate for the partnership and support of our Chairman, Horst Pudwill, and Vice-Chairman, Stephan Pudwill. I'd like to thank them for their tremendous leadership in 2022 and look forward to the years of partnership ahead. Together, we share a vision for building and growing a great company.

Powerful Brands

- Flagship MILWAUKEE business delivered +22% growth in local currency
- MILWAUKEE's 9th consecutive year with local currency growth over 20%
- RYOBI also continued to strengthen its leadership position in 2022 as the number one DIY tool and battery-powered outdoor brand worldwide

Geographic Expansion Success

- Across the globe, our world-class international teams delivered excellent results in 2022
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- Our results in Canada, Mexico, Australia, and New Zealand all significantly outperformed their respective markets

Advanced Research and Development

- TTI's success as a company is reliant on the introduction of high quality, margin accretive new products and our drive for advancing cordless technology
- In 2022, we added another 879 engineers into our distinguished research and development system
- Launched 4th Generation of MILWAUKEE breakthrough products that are more powerful, faster, quieter, cooler, lighter, more compact, equipped with electronics to charge faster and extend battery life cycle, but they are also the first in the industry to utilize Machine Learning

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