

Chief Executive Officer's Message



I am proud of the financial results we delivered in 2023. We grew sales 3.9% in local currency to US\$13.7 billion, while increasing gross margin 14bps to 39.5% and reducing inventory US\$987 million versus year end 2022. Free cash flow was an all-time record of US\$1.3 billion and we are well positioned to generate consistently strong free cash flow in the coming years.

I am especially encouraged by our results in the second half of 2023, where we grew sales 10.2%. Our Flagship MILWAUKEE business grew 12.7% in local currency in the second half and we feel confident MILWAUKEE will continue to grow at double digit rates in 2024 and beyond. The Consumer Group of businesses also delivered excellent results globally and is on track to continue outperforming the market. TTI's momentum has continued to build in the early months of 2024, and we are looking forward to sharing our first half 2024 results with you in August.

Cordless Leadership

Seventeen years ago, when Horst Pudwill and I developed our strategy, we agreed on two things. First, that we would hire and develop the very best people in the history of the power tool industry. Second, that we were going to be obsessively focused on cordless.

We made it 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. Today, MILWAUKEE is the number one worldwide cordless Professional Power Tool brand with 460 products across our M12, M18, and MX FUEL leadership platforms, while RYOBI is the leading global DIY cordless brand in both Power Tools and Outdoor with 424 products across the 18V ONE+, 40V, USB LITHIUM, and 80V systems. We also have the broadest line of detachable battery floorcare products with our ONEPWR platform, featuring the world's first battery-powered cordless Carpet Washer.

There is no other company in the world with our level of focus on cordless and this is why we win. Our leadership position in cordless globally has yielded a significant and growing aftermarket battery revenue stream with highly accretive gross margins. Unlike our competitors, we have not changed our battery interface or compatibility, which has allowed our bare tool business to flourish. Bare tools are individual products sold without a battery and charger, which presents a compelling value to users who are already invested in a battery system.

Our cordless strategy has also allowed us to grow the market overall through increases in Average Selling Price (ASP). With advanced electronics, brushless motors, and innovative battery technology, our cordless products offer users productivity and safety benefits that command a price premium. As an example, our MILWAUKEE M18 FORCE LOGIC Single Channel Strut Shear is the most productive way to shear strut on the jobsite. This piece of equipment makes precise cuts on-site, ensuring a smooth finish and reducing the risk of user lacerations and damage to high-value electrical systems. Priced at over US\$3,500, this piece of equipment is driving the ASP higher while prioritizing safety and productivity.

Breakthrough Technology

The development of breakthrough cordless technology is the foundation of TTI's success. Since we revolutionized the power tool industry with the introduction of advanced lithium-ion battery technology, we have continued to advance the capabilities of cordless products to levels beyond what is possible with legacy powered competitive product. We refer to our efforts to continuously advance technology in the power tool space as a "race without a finish line". The latest result of these efforts is the introduction of Artificial Intelligence with Machine Learning into Power Tool development with products that not only set new industry standards, but also contribute to significant cost savings for users.

An example where the application of Artificial Intelligence with Machine Learning within our power tool development is especially impactful can be demonstrated on a renewable energy utility-scale solar panel installation site. A single solar field site can require millions of repeatable precise connections. Using the MILWAUKEE M18 CONTROLLED TORQUE IMPACT WRENCHES enable users to make these connections up to three times faster than current methods. Using this tool results in increased productivity that can save contractors up to US\$1 million on just one job versus current application methods.

Sustainability

It is our mission to create a sustainable future by reducing our environmental impact through responsible business practices and environmentally friendly products. We are dedicated to developing cordless products that not only deliver high performance, but also minimize energy consumption, improve safety, and reduce noise pollution with zero carbon emissions in use. As an example, the ONEPWR cordless carpet cleaner launched in 2023 contains high efficiency motors that provides the same cleaning performance as corded alternatives using up to 6 times less energy. We also recently launched a RYOBI 60-Watt Foldable Solar Panel, providing users with renewable energy that can charge a RYOBI 18V ONE+ 2Ah battery in under 1 hour.

World Class Manufacturing and Supply Chain

The investments we have made in expanding our manufacturing network beyond our world-class facility in China to Vietnam, Mexico and the United States have served us well. We operate our manufacturing network with a high degree of flexibility and agility, while striving for continued productivity advancements each year. In 2024, we will continue to raise the bar on delivering productivity gains while maintaining consistently high customer service levels and driving down inventory levels in the network.

Geographic Expansion Success

Expansion into new geographic markets is another important component of TTI's success. One great example of the deployment of this strategy can be found in Europe, where we have grown from a very small presence in 2008 to the cordless leadership position in the professional channels that we hold today. In addition, our performance in Canada, Australia, and New Zealand has been highly impressive, reflecting our commitment to cordless leadership on a global scale. Our businesses in Asia and Latin America are also developing well, and we are excited about our strategic plans to continue expanding our global presence in these regions.

Exceptional People

To win in our vast served markets, we are obsessively focused on hiring the best people. This involves recruiting, training, retaining, and investing in top-tier talent, while maintaining a culture of high performance, innovation, and transparency. In 2008, we introduced the TTI Leadership Development Program to bolster our organizational growth by creating a pipeline of strong talent. Since its inception, this program has successfully hired over 10,500 LDPs to fuel our growth. Today, TTI has the strongest and deepest management team in the industry, many of whom have been integral to our success over the last decade.

Breakthrough Leadership

One way we develop our winning team is through our intensive "Breakthrough Leadership" senior management training program. In these sessions we gather top leaders from around the globe to discuss company objectives, vision, strategy, organizational development, and leadership among other topics. More importantly, throughout these sessions we reinforce our high-speed, high-performance culture and energize the leadership to pursue and inspire breakthrough thinking in their own organizations. Alexander the Great once famously said, "I am not afraid of an army of lions led by a sheep; I am afraid of an army of sheep led by a lion". At TTI, our philosophy is to take this one step further and "build armies of lions, led by lions". Breakthrough Leadership is just one of the tools we use to build this culture.

Just Getting Started

Our outstanding performance over the past fifteen years has consistently outpaced the overall market and 2023 was no exception. It is an exciting time to be in a leadership position in the cordless power tool industry, and we believe we are just getting started. The investments we have made in new product development, manufacturing, geographic expansion, and in-field marketing initiatives have created a strong foundation for our continued growth and strong financial performance.

I would like to thank our Chairman, Horst Pudwill, and Vice-Chairman, Stephan Pudwill for their outstanding leadership, vision and mentorship in 2023 and look forward to many years of partnership ahead. The best is yet to come at TTI!



Joseph Galli Jr
Chief Executive Officer
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