

Chairman's Statement



TTI delivered US\$13.7 billion of sales in 2023, up 3.6% in reported growth and 3.9% in local currency. Both our MILWAUKEE and Consumer group of businesses gained momentum in the second half of 2023.

MILWAUKEE delivered 10.7% full year sales growth in local currency, improving to 12.7% local currency growth in the second half, versus 8.7% in the first half. Our Consumer group of businesses also delivered positive sales growth in the second half and are well positioned to continue gaining traction in 2024.

Globally, all regions delivered above market growth in local currency in 2023. North America grew 2.9% and Europe delivered an impressive 7.3% growth. Rest of World, including Australia, Latin America, and Asia, delivered 7.6% growth.

Gross margin improved 14 bps to 39.5% in 2023. This improvement is a direct result of the continued success of the MILWAUKEE business, the growth of our aftermarket battery sales, and highly innovative margin accretive new product. This gross margin improvement is highly encouraging given our significant US\$987 million inventory reduction versus last year.

Total SG&A increased 96 bps from year end 2022 to 31.3% of sales. Selling, distribution, and marketing increased 56 bps due to one-time promotional funding investments to drive sell through at our partners and reduce inventory in our channels. Research and development increased 34 bps versus last year. Amortization of intangible assets accounted for 28 bps of the increase, and we increased investments in research activities to bolster our new product pipeline.

Financial Performance

EBIT was at US\$1.1 billion, 5.5% lower than 2022. In the second half of 2023, EBIT improved to US\$575 million, a 1.1% increase versus the second half of 2022.

In 2023, we delivered US\$976 million of net profit. The decline of 9.4% versus last year was partially driven by significant increases in interest rates over the period, resulting in higher interest expense. Earnings per share also declined 9.3% to US\$53.36 cents.

We reduced inventory an impressive US\$987 million from year end 2022. This was split throughout the halves with a US\$504 million reduction in the first half and an additional US\$483 million in the second half. Although we have made vast progress on inventory, we believe we can continue reducing inventory days on hand in 2024 and the years ahead.

Capex spend for the year was US\$502 million, lower than last year by 13.7%. This spend includes investments in new product, manufacturing capacity, automation, and productivity initiatives in China, Vietnam, Mexico, and the United States.

Working capital as a percent of sales improved from 21.2% last year to 17.7% in 2023. This reduction in working capital helped drive record free cash flow of US\$1.3 billion for the year and we are well positioned to deliver strong free cash flow in 2024 and the future.

Our exceptional results over the past fifteen years have consistently surpassed overall market performance. 2024 will be no exception, as we are poised to outperform the market yet again.

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 17.1% as compared to 32.1% in 2022.

Our exceptional results over the past fifteen years have consistently surpassed overall market performance and we expect 2024 will be no exception, as we are poised to outperform the market yet again. Our strength in cordless innovation, new product development, operational excellence, and in-field marketing initiatives are unparalleled in the industry and give TTI an unassailable competitive advantage. We are grateful for the support of our largest partner, The Home Depot, and are honored to have received an unprecedented three Supplier of the Year awards from them in 2023.

Outlook

TTI is poised for continued market outperformance in 2024. We expect our Flagship MILWAUKEE business to sustain double-digit sales growth in 2024 and beyond, while our Consumer group of businesses will continue to outperform the competition.

Our global new product pipeline has never been stronger. We are relentlessly focused on developing innovative cordless products with advanced electronics, cutting-edge motor technology, and artificial intelligence. As the first mover in our industry on applying machine learning and artificial intelligence to cordless products, we have made the investments necessary to continue advancing this important

technology in the months and years ahead. With demonstrably better features that improve productivity for end users, our products command a price premium, which in turn drives our virtuous cycle of outperforming the market while driving gross margin improvement.

Another key driver of our gross margin accretion is the productivity generated by our world-class manufacturing network. Since 2018, we have expanded our footprint beyond our manufacturing site in China to add start up facilities in Vietnam, Mexico and the United States. We believe our ability to rapidly adapt to change will serve us well, no matter what we face in the future.

With a healthy balance sheet, solid cash position, and strong growth outlook, we look forward to 2024 with confidence.



Horst Julius Pudwill

Chairman

March 6, 2024