



MILWAUKEE M18 FUEL 1/2" Controlled Mid-Torque Impact Wrench



MILWAUKEE M12 FUEL INSIDER Extended Reach Box Ratchet

Power Equipment Sales

**US\$6,450 m**

**93.8%** of total sales

# Review of Operations

Overall sales declined 2.2% in reported currency, and 1.0% in local currency, to US\$6.9 billion. Our Flagship MILWAUKEE business grew 8.7% in local currency, while our Consumer businesses were down low double-digit, in part driven by inventory reduction initiatives within our network and our customers.

Globally, we outperformed the market in the first half of 2023. North America declined 3.9% in sales in local currency. Europe, led by our world-class management team, grew 10.1% in local currency. Rest of World, featuring Australia and Asia, delivered 5.7% growth in local currency.

Gross Margin improved 22 bps from the first half of 2022, due to our greater mix towards our higher margin MILWAUKEE business and productivity initiatives, supplemented with the continued outperformance of our high margin aftermarket battery business.

As a percentage to Sales, total SG&A increased 108 bps from the first half of 2022, with Selling, Distribution, and Advertising increased 86 bps due to investments in MILWAUKEE commercialization activity and geographic expansion, as well as selling and promotional activities in the Consumer businesses to drive additional POS sell through and inventory reductions. Research and Development increased 24 bps versus the first half of last year. Amortization of intangible assets accounted for 28 bps of the increase, offset by the rationalization of consumer research expense. Administrative spend decreased 3 bps from the first half of 2022 due to headcount reductions and other Consumer SG&A rationalization actions.

Our Flagship MILWAUKEE business vastly outperformed the competition in the first half of 2023. We have maintained our MILWAUKEE strategic investment plans in new product development, in-store support, and geographic expansion, while prudently reducing non-strategic spend.

Investment plans in our Consumer businesses remain curtailed to align with current market conditions. We have managed down SG&A and structural overhead to support our lower near-term growth outlook, while driving impressive inventory reduction and free cash flow generation from these businesses.

EBIT declined 11.5% to US\$560 million, net profit declined 17.7% to US\$476 million, and earnings per share decreased 17.7% to approximately US\$26.00 cents per share.

We delivered US\$301 million of positive Free Cash Flow in the first half of 2023. This is an improvement of US\$649 million from the first half of 2022 and we are well positioned for additional free cash flow generation in the second half of 2023.

Inventory was reduced by US\$504 million from our year end 2022 balance, and US\$651 million from the end of the first half of 2022. Working capital as a percent of sales improved 56 bps to 22.7% and gearing decreased to 25.7% from 40.5% from the end of June 2022.

Capex spend for the first half was US\$210 million, lower than last year by 8.6%. This spend includes investments in new product, productivity, factory automation, advanced material handling and sustainability initiatives in Vietnam and the United States. The new MILWAUKEE Hand Tool factory in Wisconsin, powered exclusively by green energy, started production on Made-in-USA hand tools in Q2 2023.

Our first half performance reflects our focus on extending our market leadership position, while reducing inventory balances, within our network and our customers, and delivering positive free cash flow. Even in times of challenging macroeconomic conditions, we have not wavered from our strategy of investing in demonstrably better, technologically advanced new products to drive our growth. We are well positioned to continue outperforming the market in the second half of 2023 and beyond.



MILWAUKEE MX FUEL 14" Cut-Off Saw w/ RAPIDSTOP



MILWAUKEE BOLT System

## Business Review

### Power Equipment

The TTI Power Equipment segment delivered sales of US\$6.5 billion, down 1.7% in reported currency and down 0.5% in local currency.

### MILWAUKEE

We significantly outpaced the market, delivering 8.7% growth in local currency from our Flagship MILWAUKEE business in the first half of 2023. More importantly, we believe this business is well positioned for sustained long term sales growth of high single digit to low double digit based on the shift from legacy power sources like petrol and corded to cordless, geographic expansion, deep vertical penetration, and new product introductions. Europe, Asia, Canada, Australia and Latin America are all regions that have substantial geographic expansion potential. Additionally, there are vast opportunities to keep growing MILWAUKEE in verticals like Infrastructure, Construction, Power Utility, Renewable Energy, Mining, and Transportation Maintenance, to name just a few.

The industry leading MILWAUKEE M18 platform expanded to a total of 272 products in the first half of 2023. Highlights include the new M18 Brushless Cut Off Grinders commonly used in infrastructure applications and M18 6T Utility Crimper intended for users in the Power Utility vertical.

With the addition of the M12 Bandfile, Brushless Planer and Second Generation TRAPSNAKE Auger, the MILWAUKEE M12 subcompact system now includes 153 products. We are especially excited about the new-to-world M12 Insider Box Ratchet launching in Q3 2023. The patent pending design of this ratchet is smaller than competitive product and will allow users, commonly in the Transportation Maintenance vertical, to reach spaces previously inaccessible by larger ratchets.

We also announced a significant expansion of our MILWAUKEE MX FUEL Light Equipment platform in the first half of 2023. Examples of new product include the MX FUEL Second Generation Cutoff Saw, Power Trowels, and Plate Compactor. By the end of 2023, this revolutionary platform will contain 20 light equipment products.

MILWAUKEE Personal Protective Equipment (PPE) continued to gain traction in this highly important space. We are extremely proud of the innovation within our MILWAUKEE BOLT hard hat system that includes a line of 21 interchangeable accessories that allow users to customize their safety equipment to their specific jobsite needs. Our recently announced Impact Armor helmet liner is another example of breakthrough innovation in the Personal Protective Equipment arena.



## RYOBI

Our Consumer Power Equipment business declined low double digit in the first half of 2023. Even with the sales contraction, our team demonstrated tremendous working capital discipline, generating strong Free Cash Flow. We curtailed production and stimulated POS sell through to drive inventory within our network, as well as our customers. In addition, we took actions to ensure the SG&A and structural overhead are the right size to support our growth outlook in the consumer arena.

RYOBI is the #1 consumer tool brand in the world and global leader in DIY cordless, featuring 4 innovative cordless platforms. The RYOBI 18V ONE+ system, originally launched in 1996, is the #1 DIY system worldwide with 305 products running off the same interchangeable

battery. The RYOBI 40V battery system powers 88 different products, delivering breakthrough power, performance, and noise reduction in our innovative line of outdoor products. Our Whisper Series technology eliminates the noise pollution and emissions created by competitive petrol products, without sacrificing on performance. Additionally, the new RYOBI 80V system powers our innovative line of high voltage mowers, delivering more performance than petrol. Our newest platform, the RYOBI USB LITHIUM series provides compact, portable, rechargeable solutions for cordless power and productivity. This system is quickly gaining adoption and will have 22 products by the end of 2023.



RYOBI USB LITHIUM LED Magnifying Light



RYOBI 18V ONE+ HP Swiftclean Mid-Size Spot Cleaner



RYOBI 40V HP Brushless Kinetic Log Splitter



RYOBI 80V HP Brushless 42" Lithium Electric Riding Lawn Tractor



HOOVER ONEPWR Family



VAX PLATINUM SMARTWASH

## Floorcare & Cleaning

Our Floorcare and Cleaning business improved in the first half of 2023 with profit increasing US\$13.5 million versus last year. Sales in the first half of 2023 were down 9.1% to US\$429 million, as we did not repeat the aggressive excess and obsolete sales actions taken in the first half of 2022. This business is now well positioned to grow and further improve profitability in the second half of 2023.

## Sustainability

In March 2023, we announced our commitment to setting science based targets with SBTi (Science Based Target initiative) and reducing carbon emissions throughout our value chain in accordance with the mission of the Paris Agreement. In the first half of the year, we have made additional progress on solar panel installations in China, while also accelerating our internal mapping of Scope 3 emissions. Additionally, we implemented several initiatives to increase the focus on employee safety that have been successful in reducing injuries

and accidents at the workplace. In April 2023, the Asia Institutional Investor poll recognized our TTI Company Board as best in class with an overall combined ranking of 2<sup>nd</sup> in the Industrials category.

## Outlook

While we are pleased with our results in this challenging macroeconomic period, at TTI we continually push ourselves to improve, internally referring to this mindset as "A Race Without a Finish Line". We outperformed the competition in sales, drove substantial inventory reduction, and generated positive free cash flow, while continuing to invest for the future. Although our results in July 2023 are indicating that we are nearer to the end of this corrective period than the beginning, we are well positioned should challenging market conditions persist in the second half of 2023 and possibly 2024. We have a long-term focus, and with our strong balance sheet, we will continue deploying our strategy and investing for the future. We are encouraged about the second half of 2023, in our ability to outperform the competition and drive positive sales growth, strong free cash generation, and disciplined working capital management.



VAX ONEPWR Family



## Financial Review

### Financial Results

Reported revenue for the period amounted to US\$6,879 million, 2.2% lower than the US\$7,034 million reported in the same period last year. Profit attributable to Owners of the Company amounted to US\$476 million as compared to US\$578 million reported in the same period last year, a decrease of 17.7%. Basic earnings per share was at US26.00 cents (2022: US31.59 cents), a decrease of 17.7%.

EBIT amounted to US\$560 million, a decrease of 11.5% as compared to the US\$633 million reported in the same period last year.

### Result Analysis

#### Gross Margin

Gross margin improved to 39.3% as compared to 39.1% reported in the same period last year. The margin improvement was the result of mix improvements by Milwaukee's growth and high margin aftermarket battery business.

#### Operating Expenses

Total operating expenses for the period amounted to US\$2,149 million as compared to US\$2,122 million reported for the same period last year, representing 31.2% of revenue (2022: 30.2%). During the period under review, R&D spent at 3.5% of revenue (2022: 3.3%). The increase was mainly due to the continual strategic investments in new products and promotional activities to support our near-term growth outlook.

Net interest expenses for the period amounted to US\$49.2 million as compared to US\$11.3 million reported for the same period last year, representing 0.7% of revenue (2022: 0.2%). The increase mainly due to the ten interest rate increases since June 2022.

Effective tax rate for the period was at 6.9% (2022: 7.0%).

### Liquidity and Financial Resources

#### Shareholders' Funds

Total shareholders' funds amounted to US\$5.7 billion, an increase of 9.4% as compared to December 31, 2022. Book value per share was US\$3.10 as compared to US\$2.84 at December 31, 2022, an increase of 9.2%.

### Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2023, the Group's cash and cash equivalents amounted to US\$1,485 million (US\$1,429 million at December 31, 2022) of which 37.6%, 34.0%, 13.1%, and 15.3% were denominated in RMB, US\$, EUR and other currencies respectively.

The Group generated free cash flow of US\$301 million during the period as compared to a negative cash flow of US\$348 million same period last year (Free cash flow equals to net cash from operating activities, less purchase of property, plant and equipment, less additions to intangible assets, and add proceeds from disposal of property, plant and equipment).

The Group's net gearing, expressed as a percentage of total net borrowings (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, was at 25.7% as compared to 40.5% as at June 30, 2022.

#### Bank Borrowings

Long term borrowing accounted for 38.4% of total debts (38.7% at December 31, 2022).

The Group's major borrowings continued to be in US Dollars. Borrowings are predominantly Secured Overnight Financing Rate ("SOFR") 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 exposure, 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 33.1% of the total bank borrowings, the balance being floating rate debts.

#### Working Capital

Total inventory was at US\$4,581 million as compared to US\$5,232 million as at June 30, 2022. Days inventory decreased by 10 days from 138 days to 128 days. The Group will continue to focus in managing the inventory level and improve inventory turns. Raw material inventory increased by 2 days to 22 days with Finished Goods inventory reduced by 14 days to 101 days when compared to same period last year.

Trade receivables turnover days maintained at 54 days. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 53 days as compared to 52 days as at June 30, 2022. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days were 99 days as compared to 107 days as at June 30, 2022. The reduction in days mainly due to our prudent procurement strategy in 2023 as we pushed to reduce inventory.

Working capital as a percentage of sales was at 22.7% as compared to 23.3% for the same period last year.

#### Capital Expenditures

Total capital expenditures for the period amounted to US\$210 million (2022: US\$229 million) representing 3.0% of sales.

#### Capital Commitments and Guarantees

As at June 30, 2023, total capital commitments for the acquisition of property, plant and equipment and equity interests in subsidiaries contracted for but not provided amounted to US\$167 million (2022: US\$373 million), and there were no material guarantees or off balance sheet obligations.

#### Charges

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

#### Human Resources

The Group employed a total of 44,288 employees (47,568 employees as at June 30, 2022) globally. Total staff cost for the period under review amounted to US\$1,141 million as compared to US\$1,260 million in the same period last year.

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improve 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, share awards and bonuses to eligible staff, based on the performance of the Group and the individual employee.

### Interim Dividend

The Directors have resolved to declare an interim dividend of HK95.00 cents (approximately US12.23 cents) (2022: HK95.00 cents (approximately US12.23 cents)) per share for the six-month period ended June 30, 2023. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 1, 2023. It is expected that the interim dividend will be paid on or about September 15, 2023.

### Closure of Register of Members

The register of members of the Company will be closed from August 31, 2023 to September 1, 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, whose office is presently situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on August 30, 2023.

### Forward-Looking Statements

This report contains certain forward-looking statements or uses certain forward-looking terminologies which are based on the current expectations, estimates, projections, beliefs and assumptions of TTI about the businesses and the markets in which the Group operates and reflect TTI's views as of the date of this report. These forward-looking statements are not guarantees of future performance and are subject to market risk, uncertainties and factors beyond the control of TTI. Therefore, actual outcomes and returns may differ materially from the assumptions made and the statements contained in this report.