

## Chief Executive Officer's Message



“We have an ambitious vision for a cordless future, a clear strategy going forward, strong business momentum and an inspired organization.”

**Joseph Galli Jr**  
Chief Executive Officer

TTI delivered another year of outstanding performance in 2017. We are thriving as we ambitiously continue executing our laser focused strategy that created the platform for our industry-leading growth. TTI is leading the world's rapid transition to cordless, displacing old technologies, entering new categories and expanding our served industries. Our vision for a cordless future is vast.

### **Global Cordless Leadership**

Early on TTI identified the once in a generation shift from traditional power sources to cordless labor saving devices. We are driving the revolutionary change to cordless products away from traditional corded, pneumatic, hydraulic and gas power. We set a course to be the industry leader by bringing the disruptive cordless revolution with breakthrough innovative products into our product categories.

Our strategic bedrock is the disciplined R&D investment necessary to deliver innovative product development which has been the key to our sustained performance. The advancements we have made in battery and motor technology coupled with new sophisticated electronic and charging systems have accelerated the corded to cordless transition into a true system wide expansion of cordless possibilities. This in turn has fueled cordless growth across all product categories. Whether it is RYOBI as the largest cordless DIY brand in the world, MILWAUKEE with its dominant industrial and professional tools leadership position, or HOOVER, VAX, and DIRT DEVIL brands commanding presence in global floor care, TTI is redefining how the world works at home and on the jobsite.

### **Powerful Brand Platforms**

RYOBI is the number one DIY power tool brand in the world. The overarching reach of the RYOBI ONE+ system is a powerful platform for users, with over 120 power tools and outdoor products for use around the home and worksite. RYOBI ONE+ system has not changed in compatibility since introduction, generating a powerful network effect allowing existing users to upgrade, expand, and join

the system with confidence. Innovative new products continue to attract new users to the system with breakout products like the high performance brushless drywall gun and AIRSTRIKE range's 23 gauge pin nailer as well as category expanding products such as the worksite EVERCHARGE area light and cordless cleaning debris sweeper, 6 gallon wet/dry vac and pool vacuum.

RYOBI in outdoor products is driving the evolution from gas powered products to the environmentally friendly cordless technology which is quieter, easy to use, and with the accelerating technology development, is equaling and surpassing performance of gas powered alternatives. Gas-powered lawn and garden equipment are important sources of non-road air pollutants and our cordless outdoor products are making a positive impact for the environment. The success of our RYOBI cordless mower family of eighteen models utilizing the ONE+ and 40V cordless systems demonstrates the impact of cordless on previously entrenched technologies and competitors. Mowers are a major growth area and is one category of many outdoor products that have our dedicated focus.

TTI has developed a long term strategy for floor care with our iconic HOOVER, DIRT DEVIL, ORECK and VAX brands. We are focusing on cordless and carpet washing products while acknowledging that the traditional corded vacuum market is evaporating. The new VAX BLADE and HOOVER REACT, IMPULSE and FUSION cordless stick vacs are from our new product roadmap. The reframed business will require disciplined strategic implementation, but early results are encouraging and we believe we have a winning plan for the future.

MILWAUKEE, with the vast M12, M18 and FUEL product ranges, is the fastest growing, most innovative and leading brand of cordless tools for the industrial and professional user. MILWAUKEE is expanding growth opportunities through the systematic introduction of disruptive new products with specific solutions aimed at electrical, mechanical, plumbing and remodeling. Our technologically advanced new cordless high-output lighting, FORCELOGIC hydraulics, and drain cleaning products represent significant improvement in productivity, safety, and product performance. We are truly excited that our revolutionary range of next generation products are reshaping the industrial landscape across a growing number of categories.

## Driving Innovative Products

We are pioneering innovation in product categories through cordless technology. TTI remains committed to bringing cordless into new targeted product categories and growing existing product categories. Our success in these arenas has been unprecedented. To sustain and nurture this success we have built a world-class R&D capability and new product development process delivering speed-to-market competitive advantage. Leveraging our manufacturing expertise and product innovation process on our advancements in cordless technology, we are creating significant changes in the markets we serve, making gains across all product categories. Our R&D capabilities and extensive research reach deep into technology, engineering, software development and design, envisioning and producing the next generation of cordless products.

The rapid transition to cordless tools is still in its early stages and we are confident that the opportunities arising from this shift are virtually unlimited. We expect significant growth from TTI's new product pipeline which is unmatched in technology, scale and speed-to-market.

## Geographic Expansion Success

TTI has been successfully building upon our strong foundation in the US market while making important gains in targeted, underrepresented geographies around the world. We have worked hard to significantly improve our market positions in Canada, Australia, New Zealand, Western Europe and now Eastern Europe. We have a selective and focused process for geographic expansion which includes bold investment in the target markets of South Korea, Taiwan, China, Thailand, Hong Kong, Singapore, Malaysia and other strategic geographies.

### Highly Talented Management Team

The TTI leadership team is a core strength. Our business leaders are strategic, goal oriented and incredibly passionate industry experts with a relentless drive to succeed. TTI has grown and expanded across the globe filling the organization with talented international professionals. TTI invests in selecting and developing future leaders internally to nourish our growing management needs. We foster great people through a culture of meaningful mentorship, business tools, challenging positions and opportunities for our teams of entrepreneurs to have the resources and freedom to drive hard, be creative, and deliver results. We are committed to delivering a world-class work environment to attract, retain, and recruit the best talent in the world.

### Leadership Development Program

Our Leadership Development Program (LDP) is flourishing and impacting every discipline in the company. This program is a cornerstone in creating the future leaders of TTI. Through a highly selective process we recruit high-potential graduates from top universities for sales, marketing, engineering, purchasing, supply chain, manufacturing and finance, followed by dedicated systems focusing on training, mentoring, and promoting them. Over the past decade, we have hired over 2,300 LDPs with many becoming leaders within the organization and a number serving in international positions. This extremely effective program has been expanded from North America to Europe, Asia, Latin America, and Australia. Our steadfast commitment to the LDP enables TTI to develop a deep bench of exceptional leaders to support our business goals.

I am extremely proud of our industry-leading growth, profit advancement and track record of outstanding performance. The unprecedented momentum we have generated at TTI mirrors the powerful future that lies ahead. We have built an enviable platform with massive long term potential. We are just getting started.

It is the bold vision and leadership of our Chairman, Horst Pudwill, with his relentless drive that best defines our extraordinary culture. He is a mentor and remarkable role model to the entire TTI team. We share the cordless vision and incredible future outlook for TTI.



**Joseph Galli Jr**  
Chief Executive Officer  
March 13, 2018

Our goal is to create and harvest these opportunities.

