

# Q3 2022 Investor Call

November 15, 2022 – 10:00 AM EST

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## Participants:

- Jim Roberts – CEO
- Ross Porter – CFO
- Rob Resler – SVP Finance & IT

- Disclosures
- Q3 Results Summary
- Q&A

The forward-looking statements contained in this presentation involve risks and uncertainties that may affect the Company's operations, markets, products, services, prices and other factors. These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there is no assurance that the Company's expectations expressed in such forward-looking statements will be realized. The Company assumes no obligation to provide revisions to any forward-looking statements in this presentation should circumstances change.

This presentation contains financial measures that are not in accordance with generally accepted accounting principles in the US ("GAAP"), including Adjusted EBITDA, Adjusted Gross Margin and Adjusted Operating expense. We believe these measures provide relevant and meaningful information to investors and lenders about the ongoing operating results of the Company. Such measures, when referenced herein, should not be viewed as an alternative to GAAP measures of performance. We have provided a reconciliation of Adjusted EBITDA in the Appendix section of this presentation. In calculating Adjusted EBITDA, we add back certain non-cash, non-recurring and other items that are included in EBITDA and make certain other adjustments including certain adjustments to exclude one-time, non-recurring charges. We are evaluating the amount of adjustments arising due to the Coronavirus pandemic, and will continue to evaluate such adjustments, and appropriate additional adjustments, on a quarter-by-quarter basis.

- Q3 Core Revenue +2%, Adjusted EBITDA \$48M, Up \$4M vs PY
- Gross Margin \$114M or 30.1% (No margin erosion vs PY)
- Rapid sequential recovery complete following Q1 cyber incident & lockdowns
- OWC usage lower than last year as supply chain constraints ease dramatically
  - Net Inventory sequentially Q3'21 up \$21M ▲, Q3'22 down \$28M ▼





- Mild-Moderate Recession Likely
- Supply Constraints Improving
- Monetary Tightening Thru 1H 2023
- Geopolitical Uncertainty Remains

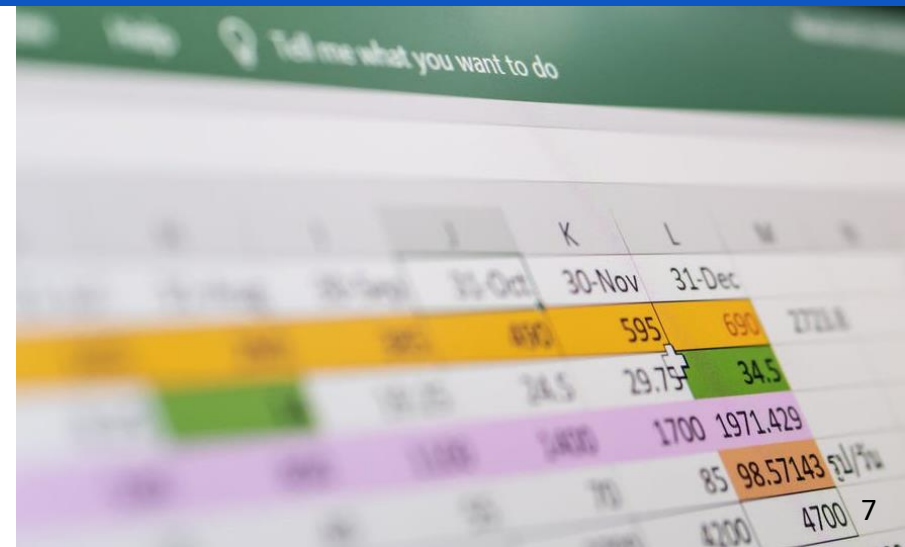


- Mixed End Market Demand
- Pro + Select Verticals Remain Strong
  - Remodel + Repair
  - MVI / Some GI
  - Commercial + Energy
- Right Size Production and SG&A
- Exciting New Product Pipeline
- Listing/Distribution Gain Opportunities
- Geo Expansion Momentum



## Focus on What We Can Control

- Maximize Sales
- Price Realization/Mix/Productivity
- Closely Manage Inventory, Cash, Customers
- Spending Controls
- Cyber Safeguards







Tell me what you want to do

		K	L	M
	30-Nov	31-Dec		
	595	690	272.8	
	24.5	29.75	34.5	
	1700	1971.429		
	85	98.57143	51/70	
	4200	4700	7	

- **Core Revenue up 2%**
  - Hand Tools Flat; Power Tools +8%
- **Gross Margin of \$114M**
  - Gross Margin of 30%, flat to prior year as pricing more than off-set inflation and mix
- **Adjusted EBITDA of \$48M, up \$4M vs. PY**
  - Adjusted EBITDA margin of 13%
- **Q3 Highlights (HTs) Flat**
  - **NA Retail Channel:** -6%; orders leveled off with seasonality curve
  - **NA Industrial / Auto Channels:** Up 22%; orders remain strong
  - **APAC:** -7%; against a tough comparable, up 27% in 2021
  - **LAC:** Up 10%, driven by SATA growth in Brazil and Colombia
- **Q3 Highlights (PTs) +8%**
  - **Cleco/Apex production assembly:** Overall up 20%, led by APAC region up 68%
  - **Weller:** -8% due to continued supply chain constraints (mainly PCB boards); orders strong



Brand	YTD September Actuals
 <b>SATA</b>	+1%
 <b>GEARWRENCH</b>	+16%
 <b>CRESCENT</b>	+6%
<b>Cleco</b>	+2%
<b>Weller</b>	-5%
<b>APEX</b>	+9%
 <b>APEX</b> TOOL GROUP	+2%

(\$ Millions)

	Quarter	
	Q3 '22**	Q3 '21
Net Revenue	\$ 377.3	\$ 382.1
Adj. Gross Margin	113.6	115.1
Adj. Gross Margin %	30.1%	30.1%
Adj SG&A	72.1	76.9
Adj EBITDA	\$ 47.5	\$ 43.6
Adj EBITDA %	12.6%	11.4%

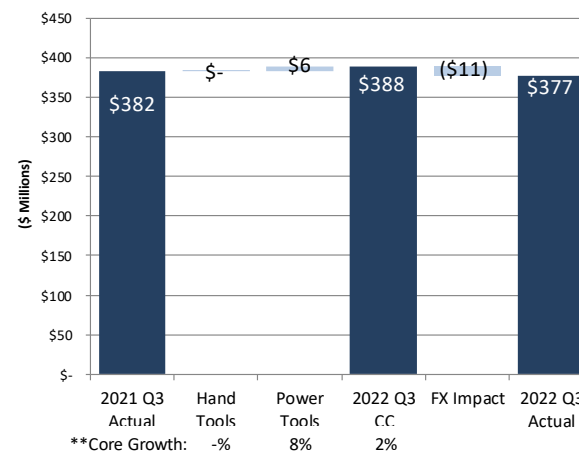
CapEx	\$ (6.4)	\$ (6.9)
(Inc)/Dec in OWC*	\$ (25.2)	\$ (40.3)
Interest Payments	\$ 30.1	\$ 30.8

### Other Comments

- Core growth of 2% was more than off-set by FX translation
- Gross Margin was flat to prior year with pricing more than offsetting inflation and mix
- SG&A decreased due to FX translation and discretionary expense reductions

- Less use of OWC in Q3 2022 than 2021

### Q3 '22 vs. Prior Year



NOTE: Adjusted GM, SG&A and EBITDA calculated with consistent standardized definition of excluded items and pro forma adjustments as detailed in Appendix. Additionally, Adjusted GM excludes Intangible amortization.

\* Impact on cash flow from operating activities for the quarter with Operating Working Capital defined as Net Accts Receivable plus Net Inventories less Accounts Payable.

\*\* Core growth excludes FX impact

## Hand Tools

(\$ Millions)

	Quarter		Year to Date	
	Q3 '22	Q3 '21	FY '22	FY '21
Net Revenue	\$ 296.2	\$ 301.0	\$ 827.0	\$ 819.2
Adj. Gross Margin	83.0	85.4	220.8	245.7
Adj. Gross Margin %	28.0%	28.4%	26.7%	30.0%
Adj SG&A	46.6	44.0	136.5	121.9
Adj EBITDA	\$ 40.2	\$ 45.9	\$ 95.7	\$ 136.2
Adj EBITDA %	13.6%	15.2%	11.6%	16.6%

- Q3 Core HT Revenue flat to prior year
- Q3 Gross Margin decreased 40 bps due to inflation, partially offset by pricing
- Q3 FX Impact on HT Sales of (\$5.5M) and Adj. EBITDA impact (\$1.3M)

## Power Tools

(\$ Millions)

	Quarter		Year to Date	
	Q3 '22	Q3 '21	FY '22	FY '21
Net Revenue	\$ 81.1	\$ 81.2	\$ 231.6	\$ 241.7
Adj. Gross Margin	30.7	29.8	84.9	92.9
Adj. Gross Margin %	37.8%	36.7%	36.7%	38.4%
Adj SG&A	19.1	19.6	58.3	57.1
Adj EBITDA	\$ 12.9	\$ 11.3	\$ 30.7	\$ 39.3
Adj EBITDA %	15.9%	13.9%	13.2%	16.3%

- Q3 Core PT Revenue up 8%
- Q3 Gross Margin improved 110 bps due primarily to pricing, partially offset by inflation
- Q3 FX Impact on PT Sales of (\$5.8M) and Adj. EBITDA impact (\$0.9M)

NOTE: Division EBITDA excludes allocation of corporate overhead. Adjusted GM, SG&A and EBITDA calculated with consistent standardized definition of excluded items as detailed in Appendix. Additionally, Adjusted GM excludes intangible amortization.

	Revenue (\$M)	Adj. EBITDA (\$M)	
Q3 2021	\$382	\$44	
FX Translation	(11)	(2)	Stronger USD vs CNY and Euro
Pricing	21	21	~5% Pricing
Volume	(15)	(5)	Softening demand trends
Inflation (1)		(8)	~3% cost inflation
Productivity (1)		(1)	Production vol. decline/efficiency
Mix and Other		(4)	Includes ~\$2M of lower YOY supply chain 1x costs, offset primarily by unfavorable mix
Change in SG&A		2	
Q3 2022	\$377	\$48	

(1) Material, Labor and Overhead only

Topic	Q2 Call Outlook	Q3 Call Outlook
Cyber Incident	No Change	No Change
Shanghai CV-19 Lockdowns	Back to normal mid-June	No Change
Supply Chain Lead-Times	No easing yet – still 220+ days from China to US	Beginning to ease significantly for newly placed PO's
Component Supply Issues	No Change to slightly worse	No Change
POS Data	NA Retail POS softening Industrial end markets strong	Further softening, mainly in HT's (NA, LAC, APAC)
Order Backlog	Record highs in PT's APAC orders still strong	No Change in PT's HT's orders softening
Inflation	No change	Easing sequentially
Pricing	~\$80M (6%)	~\$70-80M (6%)
Production Volumes	- - -	Pull back to address softening outlook

# Q&A



- Q4 Estimate
  - Sales: ~\$320-340M, down 5-10% to LY; Core growth -5% to FLAT
  - Adj EBITDA: \$33-38M, down \$7-12M from prior year due to lower YOY volumes
  - Inventory: \$420-430M
- Full Year Estimate
  - Sales: ~\$1.38-1.40B; Adj EBITDA: \$130-135M
  - EBITDA guidance change from last quarter's estimate of \$150-\$160M is primarily due to sales slowdown (forecast of \$1.38-1.40B vs \$1.5B)
  - Significant SG&A actions being taken
- Hand Tools order volume continue to soften; order backlog reducing through normal seasonal patterns
- Power Tools order patterns YTD are strong and order backlog at record levels
  - Main constraint continues to be component supply
- Cyber Incident / China Covid Update
  - 1x costs related to Cyber / Covid expected to be ~\$25M (adjusted out)
  - \$23M booked through Q3; minimal costs remain

\* These figures are preliminary estimates and not representations, and are highly dependent on many factors, including external factors, such as the continuing effects of COVID-19. These estimates should not be relied on.

# Appendix

<i>\$USD in Millions</i>	Q1 '21	Q2 '21	Q3 '21	Q4 '21	FY 2021	Q1 '22	Q2 '22	Q3 '22
Hand Tools	253.4	264.9	301.0	274.7	1,093.8	234.3	296.5	296.2
Power Tools	<u>77.9</u>	<u>82.7</u>	<u>81.2</u>	<u>84.6</u>	<u>326.4</u>	<u>63.4</u>	<u>87.2</u>	<u>81.1</u>
<b>Revenues</b>	<b>331.2</b>	<b>347.5</b>	<b>382.1</b>	<b>359.3</b>	<b>1,420.2</b>	<b>297.7</b>	<b>383.7</b>	<b>377.3</b>
Hand Tools	79.1	81.2	85.4	81.2	326.9	61.3	76.5	83.0
Power Tools	31.3	31.8	29.8	32.5	125.3	24.8	29.4	30.7
Group Admin	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Adj. Gross Margin</b>	<b>110.4</b>	<b>113.0</b>	<b>115.1</b>	<b>113.7</b>	<b>452.2</b>	<b>86.2</b>	<b>106.0</b>	<b>113.6</b>
Hand Tools	39.7	38.2	44.0	44.1	166.0	43.4	46.6	46.6
Power Tools	17.7	19.7	19.6	18.4	75.5	19.4	19.8	19.1
Group Admin	<u>13.4</u>	<u>12.7</u>	<u>13.3</u>	<u>12.1</u>	<u>51.6</u>	<u>13.8</u>	<u>13.0</u>	<u>6.4</u>
<b>Adj. SG&amp;A</b>	<b>70.9</b>	<b>70.7</b>	<b>76.9</b>	<b>74.6</b>	<b>293.1</b>	<b>76.6</b>	<b>79.3</b>	<b>72.1</b>
Hand Tools	43.8	46.5	45.9	40.5	176.6	21.9	33.7	40.2
Power Tools	14.8	13.2	11.3	15.5	54.8	6.8	11.0	12.9
Group Admin	<u>(13.1)</u>	<u>(12.4)</u>	<u>(13.5)</u>	<u>(11.2)</u>	<u>(50.2)</u>	<u>(13.5)</u>	<u>(12.6)</u>	<u>(5.6)</u>
<b>Adjusted EBITDA \$</b>	<b>\$ 45.6</b>	<b>\$ 47.3</b>	<b>\$ 43.6</b>	<b>\$ 44.7</b>	<b>\$ 181.2</b>	<b>\$ 15.2</b>	<b>\$ 32.1</b>	<b>\$ 47.5</b>

<i>\$USD in Millions</i>	Q4 2021	Q1 2022	Q2 2022	Q3 2022	LTM Q3
<b>Net earnings (loss)</b>	<b>(28.9)</b>	<b>(49.5)</b>	<b>(21.4)</b>	<b>(3.8)</b>	<b>(103.6)</b>
<b>Add:</b>					
Interest Expense, Net	25.0	27.8	25.9	31.5	110.2
Tax Expense (Benefit)	8.4	3.6	12.0	15.3	39.3
Depreciation / Amortization Expenses	<u>33.1</u>	<u>25.4</u>	<u>21.4</u>	<u>20.7</u>	<u>100.6</u>
<b>Unadjusted Reported EBITDA</b>	<b>37.6</b>	<b>7.3</b>	<b>37.9</b>	<b>63.7</b>	<b>146.5</b>
<b>Pro-Forma Adjustments:</b>					
Restructuring Charges, Net of Disposals	1.8	-	2.7	0.4	4.9
Sponsor Management Fees	0.8	0.8	0.7	0.7	3.0
Non-Cash Mark to Market Adjustments	0.7	(0.2)	(0.3)	(0.1)	0.1
Cyber Security Expenses	-	6.2	5.0	6.5	17.7
COVID One-time Costs - Net	-	-	3.1	3.4	6.5
Debt Extinguishment	-	7.1	-	-	7.1
Transactional FX Gain/(Loss)	1.9	(6.2)	(17.3)	(28.1)	(49.8)
All Other	2.0	0.2	0.3	1.0	3.5
<b>Adjusted EBITDA</b>	<b>44.7</b>	<b>15.2</b>	<b>32.1</b>	<b>47.5</b>	<b>139.5</b>
<b>Adjusted EBITDA (per Senior Secured Debt Reporting)</b>	<b><u>44.7</u></b>	<b><u>15.2</u></b>	<b><u>32.1</u></b>	<b><u>47.5</u></b>	<b><u>139.5</u></b>

NOTE: LTM PF Adjusted EBITDA is shown to reflect the adjustment of the Manufacturing Savings, Sourcing Projects, and SG&A Projects retroactively for four quarters per the Senior Secured Debt Ratio Calculation and for comparability.