

Q1 2023 Investor Call

May 16, 2023 – 10:00 AM EDT

Register Now

To participate in the Conference Call, register using [this link](#) or the button above to:

- Receive a Calendar Invitation with call access details including your unique PIN
- Receive Replay details



Participants:

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

- Disclosures
- Q1 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.

- Solid Q1 Performance/ Start to Year

Core Sales Growth +19%





Gross Margin Up 50 bps

Adjusted EBITDA +\$8M

- Remain focused on mid-single digit sales growth
- Favorable price realization, mix and productivity
- Stable inflation + improved supply chain outlook
- Execute on Strategic Priorities & Ops Improvements



- **Core Revenue up 19%**
 - Hand Tools +13%; Power Tools +45%
- **Gross Margin of \$103M**
 - Gross Margin of 30%, an improvement over prior year as pricing, productivity and mix more than offset incurred inflation
- **Adjusted EBITDA of \$27M, up \$8M vs. PY**
 - Adjusted EBITDA margin of 8%
- **Q1 Highlights (HTs) +13%**
 - **NA Retail Channel:** -3%; POS mixed
 - **NA Industrial / Auto Channels:** Up 38%; orders remain strong
 - **APAC:** Up 14%, driven by SATA hand tools, up ~28%; Jacobs down ~33%
 - **LAC:** Up 91%, driven by growth in Mexico and SATA in Brazil/Colombia
- **Q1 Highlights (PTs) +45%**
 - **Cleco/Apex production assembly:** Overall global business up 56% (growth in all regions)
 - **Weller:** +39% (including continued PCB board constraints); industrial orders strong

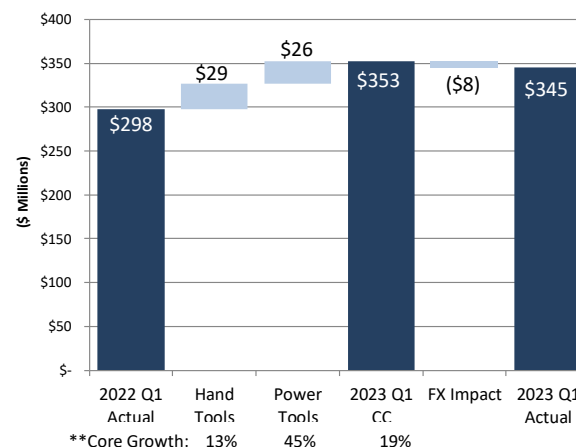
Brand	YTD March Actuals
 SATA	+31%
 GEARWRENCH	+33%
 CRESCENT	+18%
Cleco	+67%
Weller	+39%
APEX	+32%
 APEX TOOL GROUP	+19%

(\$ Millions)

	Quarter	
	Q1 '23**	Q1 '22
Net Revenue	\$ 345.3	\$ 297.7
Adj. Gross Margin	103.1	87.4
Adj. Gross Margin %	29.9%	29.4%
Adj SG&A	80.7	74.0
Adj EBITDA	\$ 27.4	\$ 19.0
Adj EBITDA %	7.9%	6.4%

CapEx	\$ (4.5)	\$ (3.3)
Dec/(Inc) in OWC*	\$ 17.0	\$ (69.3)
Interest Payments	\$ 31.1	\$ 29.5

Q1 '23 vs. Prior Year



Other Comments

- Gross Margin improved 250 bps sequentially and 50bps versus prior year as pricing, productivity and mix more than offset the impact from the amortization of higher cost inventory due to lower manufacturing volumes
- SG&A as a % of Net Revenue declined 150 bps but spending increased due to inflation and volume (driven by the PY cyber event)
- Capex continues to be managed tightly
- Good progress on inventory reduction, down \$20M sequentially (\$405M to \$385M)
- Interest payments increased due to February 2022 refinancing and rising rates

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	
	Q1 '23	Q1 '22
Net Revenue	\$ 257.3	\$ 234.3
Adj. Gross Margin	71.8	62.0
Adj. Gross Margin %	27.9%	26.5%
Adj SG&A	46.7	42.5
Adj EBITDA	\$ 28.8	\$ 23.4
Adj EBITDA %	11.2%	10.0%

- Q1 Core HT Revenue up 13% to prior year
 - GearWrench +33%
 - Crescent +18%
 - SATA +31%
 - Private Label -15%
- Q1 Gross Margin improved 140 bps; strong pricing, productivity and mix were partially offset by impact from YOY reduction of higher cost inventory due to lower manufacturing volumes
- Q1 FX Impact on HT Sales of (\$6M) and Adj. EBITDA impact (\$1M)

Power Tools

(\$ Millions)	Quarter	
	Q1 '23	Q1 '22
Net Revenue	\$ 88.0	\$ 63.4
Adj. Gross Margin	31.4	25.4
Adj. Gross Margin %	35.6%	40.1%
Adj SG&A	18.3	18.9
Adj EBITDA	\$ 14.0	\$ 7.9
Adj EBITDA %	16.0%	12.5%

- Q1 Core PT Revenue up 45% to prior year
 - Cleco +67%
 - Apex +32%
 - Weller +39%
- Q1 Gross Margin decreased 450 bps; productivity was strong, but was more than offset by impact from YOY reduction of higher cost inventory due to lower manufacturing volumes and negative mix
- Q1 FX Impact on PT Sales of (\$2M) and Adj. EBITDA impact (\$0.2M)

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)	
Q1 2022	\$298	\$19	
FX Translation	(8)	(1)	3% negative FX impact
Pricing	8	8	3% Pricing
Volume	47	14	Cyber event comp to LY; strong industrial and Power Tools sales, offset by NA Retail softness
Inflation (1)		5	2% cost deflation
Productivity (1)		12	5% productivity
Mix and Other		(21)	Primarily relates to YOY reduction of higher cost inventory (23M) due to lower mfg volumes
Change in SG&A		(6)	Inflation and comparison to last year's Cyber event, when spending declined significantly in March
Change in Pro Forma Adders		(3)	1Q2023 PF Adders - 1Q2022 PF Adders
Q1 2023	\$345	\$27	

(1) COGS Material, Labor and Overhead only

Q&A

- FY Budget - Sales \$1.44B, up 4%; Adj. EBITDA \$155M, up 15%
 - Gross Margin ~30%, SG&A \$320M or 22% of Net Sales
 - Operating Working Capital 26% of Net Sales, DIO 126 Days
- Q1 Sales and Adj EBITDA beat budget by \$23M and \$6M, respectively
 - Strong Global PT's and HT's strategic Brand growth help drive the top line results
- Q2 Forecast remains on plan
 - HT's sales likely down mid-single digits
 - Last year SATA promotion occurred in Q2 (post-Cyber/Shanghai lockdown) whereas this year in Q1
 - US Retail channel sales expected to remain soft
 - PT's sales likely up high-single digits
 - Order patterns in Production Assembly and Industrial Channels, including Weller, continue to be strong
- FY Forecast on plan
 - HT's sales up low-single digits, PT's sales up low-double digits
 - Pricing, productivity, inflation all directionally on plan
 - Being cautious on spending to mitigate recession risks and tight, but manageable, liquidity

* These figures are forward-looking estimates and not representations, and are highly dependent on many factors, including the Risk Factors as disclosed in our Annual Report.

Appendix

<i>\$USD in Millions</i>	Q1 '22	Q2 '22	Q3 '22	Q4 '22	FY 2022	Q1 '23
Hand Tools	234.3	296.5	296.2	244.0	1,070.9	257.3
Power Tools	63.4	87.2	81.1	87.2	318.9	88.0
Revenues	297.7	383.7	377.3	331.2	1,389.8	345.3
Hand Tools	62.0	80.0	86.1	65.7	293.7	71.8
Power Tools	25.4	30.2	31.6	25.1	112.3	31.4
Group Admin	0.0	0.0	0.0	0.0	0.0	0.0
Adj. Gross Margin	87.4	110.1	117.7	90.8	406.0	103.1
Hand Tools	42.5	43.2	44.9	37.8	168.4	46.7
Power Tools	18.9	18.7	18.5	15.2	71.3	18.3
Group Admin	12.7	14.3	5.9	18.3	51.1	15.7
Adj. SG&A	74.0	76.2	69.4	71.3	290.8	80.7
Hand Tools	23.4	40.5	45.0	31.7	140.6	28.8
Power Tools	7.9	12.8	14.4	11.1	46.2	14.0
Group Admin	(12.4)	(13.9)	(5.1)	(18.5)	(49.8)	(15.5)
Adjusted EBITDA	\$ 19.0	\$ 39.4	\$ 54.3	\$ 24.3	\$ 137.0	\$ 27.4

Adjusted EBITDA Reconciliation

CONFIDENTIAL



<i>\$USD in Millions</i>	Q2 2022	Q3 2022	Q4 2022	Q1 2023	LTM Q1
Net earnings (loss)	(21.4)	(3.8)	(73.9)	(59.7)	(158.8)
Add:					
Interest Expense, Net	25.9	31.5	37.6	39.4	134.4
Tax Expense (Benefit)	12.0	15.3	3.2	6.5	37.0
Depreciation / Amortization Expenses	<u>21.4</u>	<u>20.7</u>	<u>20.5</u>	<u>20.7</u>	<u>83.3</u>
Unadjusted Reported EBITDA	37.9	63.7	(12.6)	6.9	95.9
Pro-Forma Adjustments:					
Restructuring Charges, Net of Disposals	2.7	0.4	4.1	1.2	8.4
Sponsor Management Fees	0.7	0.7	0.8	0.8	3.0
Non-Cash Mark to Market Adjustments	(0.3)	(0.1)	0.8	1.0	1.4
Cyber/COVID Expenses	8.1	9.9	3.7	1.6	23.3
Loss on sale of Apex Tool Group (UK Operations), Limited	-	-	5.3	-	5.3
Transactional FX Gain/(Loss)	(17.3)	(28.1)	12.1	6.7	(26.6)
Product Line Rationalization	-	-	3.9	3.8	7.7
Environmental Reserves	-	-	1.5	-	1.5
All Other	0.3	1.0	1.8	4.5	7.6
Adjusted EBITDA	32.1	47.5	21.3	26.5	127.5
HT COGS Actions	3.4	3.1	1.0	0.2	7.7
HT SG&A Actions	1.6	1.5	1.1	0.5	4.7
PT COGS Actions	0.7	0.9	0.1	0.0	1.8
PT SG&A Actions	0.6	0.6	0.4	0.1	1.7
CORP SG&A Actions	1.0	0.6	0.5	0.0	2.2
Pro forma savings - All Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0</u>	<u>0.0</u>
Proforma Savings - Total	7.3	6.8	3.1	0.9	18.1
Adjusted EBITDA (per Senior Secured Debt Reporting)	<u>39.4</u>	<u>54.3</u>	<u>24.3</u>	<u>27.4</u>	<u>145.5</u>

NOTE: LTM PF Adjusted EBITDA is shown to reflect the proforma adjustment of the Manufacturing Savings, Sourcing Projects, and SG&A Projects retroactively for four quarters per the 1L Senior Secured Debt Ratio Calculation and for comparability.