

# Q4 2022 Investor Call

April 4, 2023 – 10:00 AM EST

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## Participants:

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

- Disclosures
- Q4 / FY 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.

- Core Sales Revenue Declined 4%
- Adjusted EBITDA of \$24M, Down \$21M vs Prior Year
- Delivered Positive FCF of \$23M
- Supply Constraints Eased, Normalized by Year End

### 2022 Full Year Overview

- Challenging Year, Headwinds + Economic Slowdown
- Core Sales Flat
- Adjusted EBITDA of \$135M, or 9.7% of Net Sales
- Right Sized Production and SG&A
- Exit Year Well Poised to Build Momentum Back







- Anticipate Mid-Single Digit Sales Growth
  - Strong Industrial/Professional Demand
  - China Rebound, Return to Growth
  - Robust New Product Pipeline + Listing Gains
  - Retail/DIY Segment Will Remain soft
- Price + Productivity + Mix > Inflation
- Adjusted EBITDA of \$155M, up 15%
- Working Capital Progress
- Invest in Brands, NPD, People, and Processes





- **Core Revenue down 4%**
  - Hand Tools -8%; Power Tools +10%
- **Gross Margin of \$91M**
  - Gross Margin of 27%, down to prior year as pricing more than offset incurred inflation but volume and mix has caused a temporary decline in margins
- **Adjusted EBITDA of \$24M, down \$21M vs. PY**
  - Adjusted EBITDA margin of 7%
- **Q4 Highlights (HTs) -8%**
  - **NA Retail Channel:** -21%; POS mixed but Holiday Season sell-through solid
  - **NA Industrial / Auto Channels:** Up 21%; orders remain strong
  - **APAC:** -5%, driven by Jacobs, down ~40%; SATA hand tools flat (with CV constraints)
  - **LAC:** Up 10%, driven by growth in Mexico and SATA in Brazil
- **Q4 Highlights (PTs) +10%**
  - **Cleco/Apex production assembly:** Overall global business up 16% (growth in all regions)
  - **Weller:** +2% (including continued PCB board constraints); orders strong

Brand	YTD December Actuals
 <b>SATA</b>	+1%
 <b>GEARWRENCH</b>	+18%
 <b>CRESCENT</b>	+4%
<b>Cleco</b>	+6%
<b>Weller</b>	-3%
<b>APEX</b>	+10%
 <b>APEX</b> TOOL GROUP	FLAT



(\$ Millions)

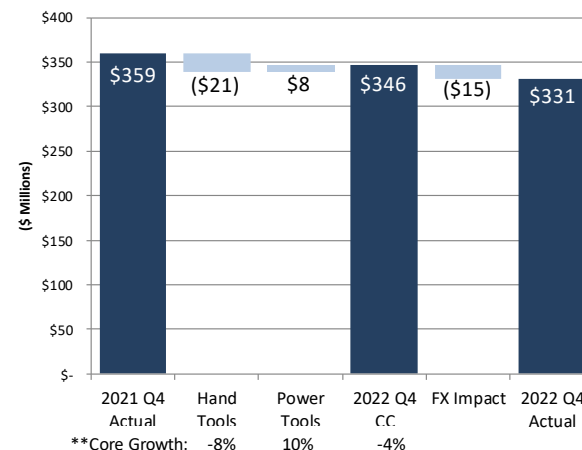
	Quarter	
	Q4 '22**	Q4 '21
Net Revenue	\$ 331.2	\$ 359.3
Adj. Gross Margin	90.9	113.7
Adj. Gross Margin %	27.4%	31.6%
Adj SG&A	72.2	74.6
Adj EBITDA	\$ 23.5	\$ 44.7
Adj EBITDA %	7.1%	12.4%

CapEx	\$ (6.2)	\$ (8.6)
(Inc)/Dec in OWC*	\$ 55.6	\$ 5.3
Interest Payments	\$ 32.6	\$ 16.3

### Other Comments

- Gross Margin decreased 420bps, down to prior year as pricing more than offset incurred inflation but volume and mix has caused a temporary decline in margins
- SG&A decreased due to FX translation
- Capex managed tightly
- Good progress on inventory reduction, down \$30M (\$435M to \$405M)
- Interest payments increased due to February 2022 refinancing and rising rates

### Q4 '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		Full Year	
	Q4 '22	Q4 '21	FY '22	FY '21
Net Revenue	\$ 244.0	\$ 274.7	\$ 1,070.9	\$ 1,093.8
Adj. Gross Margin	65.8	81.2	293.6	326.9
Adj. Gross Margin %	27.0%	29.6%	27.4%	29.9%
Adj SG&A	38.5	44.3	170.4	166.5
Adj EBITDA	\$ 31.1	\$ 40.3	\$ 138.4	\$ 176.2
Adj EBITDA %	12.8%	14.7%	12.9%	16.1%

- Q4 Core HT Revenue down 8% to prior year
  - GearWrench +24%
  - Crescent -3%
  - SATA +1%
  - Private Label -24%
- Q4 Gross Margin decreased 260 bps; pricing more than offset incurred inflation, but volume has caused a temporary decline in margins
- Q4 FX Impact on HT Sales of (\$10M) and Adj. EBITDA impact (\$2M)

## Power Tools

(\$ Millions)

	Quarter		Full Year	
	Q4 '22	Q4 '21	FY '22	FY '21
Net Revenue	\$ 87.2	\$ 84.6	\$ 318.9	\$ 326.4
Adj. Gross Margin	25.1	32.5	112.3	125.3
Adj. Gross Margin %	28.8%	38.4%	35.2%	38.4%
Adj SG&A	15.2	18.4	71.3	75.5
Adj EBITDA	\$ 11.1	\$ 15.5	\$ 46.2	\$ 54.8
Adj EBITDA %	12.7%	18.3%	14.5%	16.8%

- Q4 Core PT Revenue up 10% to prior year
  - Cleco +17%
  - Apex +15%
  - Weller +2%
- Q4 Gross Margin decreased 960 bps; pricing more than offset incurred inflation, but volume, mix and additional E&O reserves have caused a temporary decline in margins
- Q4 FX Impact on PT Sales of (\$5M) and Adj. EBITDA impact (\$0.4M)

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)	
Q4 2021	\$359	\$45	
FX Translation	(15)	(3)	Stronger USD vs CNY and Euro
Pricing	23	23	~6% Pricing
Volume	(36)	(11)	Primarily due to softening US retail environment
Incurred Inflation (1)		(4)	~2% cost inflation
Productivity (1)		5	~3% productivity
Other Costs		(32)	Includes YOY reduction of higher cost inventory due to lower manufacturing volumes/inefficiencies (~\$21M) as well as mix, additional E&O provisions and DC inefficiencies
Change in SG&A		(1)	Inflation, offset partially by expense reductions
Change in Pro Forma Adders		2	4Q2022 PF Adders - 4Q2021 PF Adders
Q4 2022	\$331	\$24	

(1) COGS Material, Labor and Overhead only

(\$ Millions)

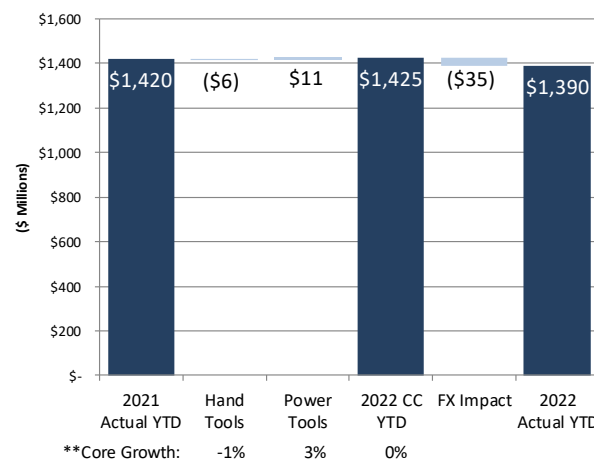
	Full Year	
	FY '22**	FY '21
Net Revenue	\$ 1,389.8	\$ 1,420.2
Adj. Gross Margin	405.9	452.2
Adj. Gross Margin %	29.2%	31.8%
Adj SG&A	293.1	293.1
Adj EBITDA	\$ 134.6	\$ 181.2
Adj EBITDA %	9.7%	12.8%

CapEx	\$ (19.7)	\$ (24.6)
(Inc)/Dec in OWC*	\$ (65.7)	\$ (143.1)
Interest Payments	\$ 118.4	\$ 92.6

### Other Comments

- Gross Margin decreased 260bps; pricing more than offset inflation but volume, mix and supply chain 1x costs were unfavorable
- Capex managed tightly
- Good progress on Q4 inventory reduction, down \$30M (\$435M to \$405M)
- Interest payments increased due to February 2022 refinancing and rising rates

FY '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

Topic	Q3 Call Outlook	Q4 Call Outlook
Cyber Incident	No Change	No Change – Continued Progress
Shanghai CV-19 Lockdowns	No Change	China reopened in January
Supply Chain Lead-Times	Beginning to ease significantly for newly placed PO's	Near normal lead-times
Component Supply Issues	No Change	Early signs of easing by 2H 2023
POS Data	Further softening, mainly in HT's (NA, LAC, APAC)	POS mixed; US Holiday Season sell-through solid
Order Backlog	No Change in PT's HT's orders softening	PT's still strong HT's leveled off
Inflation	Easing sequentially	No Change – Continued Easing
Pricing	~\$70-80M (6%)	\$79M FY
Production Volumes	Pull back to address softening outlook	Holding at lower levels to drive down inventory

# Q&A

- **Sales up 4% @\$1.44B; Core Sales Growth of 5%**
- **Adj. EBITDA of \$155M, up 15% from \$135M in 2022**
- **Gross Margin of ~30%**
  - \$25-30M incremental pricing, ~\$20M productivity, Mix improvement
  - Flat inflation, No significant supply chain 1x costs
  - ~\$35M headwind from reduction of additional high-cost inventory, including >10% manufacturing volume reductions
- **SG&A of ~\$320M, up slightly from 2022**
  - +~\$20M for inflation / bonus accruals
  - -~15-20M in other spending reductions
- **Working Capital ~26% of Net Sales, down from 31% in 2023 (@2023 FX rates)**
  - DIO from 147 to 126 Days
- **Early Q1 results better than budget**
  - Sales volume +~\$15-20M higher than budget
  - Strong SATA Spring promotion
  - Gross margins improving, despite headwinds from inventory and manufacturing volume reductions
- **Consistent with prior years, the 2023 bank budget file has been posted to SyndTrak and is accessible to those on the private-side**

\* 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

# Quarterly Performance By Division

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<i>\$USD in Millions</i>	Q1 '21	Q2 '21	Q3 '21	Q4 '21	FY 2021	Q1 '22	Q2 '22	Q3 '22	Q4 '22	FY 2022
Hand Tools	253.4	264.9	301.0	274.7	1,093.8	234.3	296.5	296.2	244.0	1,070.9
Power Tools	77.9	82.7	81.2	84.6	326.4	63.4	87.2	81.1	87.2	318.9
<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>	<b>331.2</b>	<b>1,389.8</b>
Hand Tools	79.1	81.2	85.4	81.2	326.9	62.0	79.8	86.0	65.8	293.6
Power Tools	31.3	31.8	29.8	32.5	125.3	25.4	30.2	31.6	25.1	112.3
Group Admin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<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>87.4</b>	<b>110.0</b>	<b>117.6</b>	<b>90.9</b>	<b>405.9</b>
Hand Tools	39.7	38.2	44.2	44.3	166.5	42.5	43.9	45.6	38.5	170.4
Power Tools	17.7	19.7	19.6	18.4	75.5	18.9	18.7	18.5	15.2	71.3
Group Admin	13.4	12.7	13.0	11.9	51.1	12.7	14.3	5.9	18.5	51.3
<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>74.0</b>	<b>76.8</b>	<b>70.1</b>	<b>72.2</b>	<b>293.1</b>
Hand Tools	43.8	46.5	45.6	40.3	176.2	23.4	39.7	44.2	31.1	138.4
Power Tools	14.8	13.2	11.3	15.5	54.8	7.9	12.8	14.4	11.1	46.2
Group Admin	(13.1)	(12.4)	(13.3)	(11.0)	(49.8)	(12.4)	(13.9)	(5.1)	(18.7)	(50.1)
<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>\$ 19.0</b>	<b>\$ 38.6</b>	<b>\$ 53.5</b>	<b>\$ 23.5</b>	<b>\$ 134.6</b>

# Adjusted EBITDA Reconciliation

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<i>\$USD in Millions</i>	Q1 2022	Q2 2022	Q3 2022	Q4 2022	LTM Q4
<b>Net earnings (loss)</b>	<b>(49.5)</b>	<b>(21.4)</b>	<b>(3.8)</b>	<b>(73.9)</b>	<b>\$ (148.6)</b>
<b>Add:</b>					
Interest Expense, Net	27.8	25.9	31.5	37.6	122.8
Tax Expense (Benefit)	3.6	12.0	15.3	3.2	34.1
Depreciation / Amortization Expenses	<u>25.4</u>	<u>21.4</u>	<u>20.7</u>	<u>20.5</u>	<u>88.0</u>
<b>Unadjusted Reported EBITDA</b>	<b>7.3</b>	<b>37.9</b>	<b>63.7</b>	<b>(12.6)</b>	<b>\$ 96.3</b>
<b>Pro-Forma Adjustments:</b>					
Restructuring Charges, Net of Disposals	-	2.7	0.4	4.1	7.2
Sponsor Management Fees	0.8	0.7	0.7	0.8	3.0
Non-Cash Mark to Market Adjustments	(0.2)	(0.3)	(0.1)	0.8	0.2
Cyber Security Expenses	6.2	5.0	6.5	3.7	21.4
COVID One-time Costs - Net	-	3.1	3.4	-	6.5
Debt Extinguishment	7.1	-	-	-	7.1
Loss on sale of Apex Tool Group (UK Operations), Limited	-	-	-	5.3	5.3
Transactional FX Gain/(Loss)	(6.2)	(17.3)	(28.1)	12.1	(39.6)
Product Line Rationalization	-	-	-	3.9	3.9
Environmental Reserves	-	-	-	1.5	1.5
All Other	0.2	0.3	1.0	1.8	3.2
<b>Adjusted EBITDA</b>	<b>15.2</b>	<b>32.1</b>	<b>47.5</b>	<b>21.3</b>	<b>116.0</b>
HT COGS Actions	0.7	3.3	3.0	0.9	7.9
HT SG&A Actions	0.9	0.9	0.8	0.4	3.0
PT COGS Actions	0.5	0.7	0.9	0.1	2.3
PT SG&A Actions	0.6	0.6	0.6	0.4	2.1
CORP SG&A Actions	1.1	1.0	0.6	0.5	3.2
Pro forma savings - All Other	<u>-</u>	<u>0.0</u>	<u>0.0</u>	<u>-</u>	<u>0.0</u>
<b>Proforma Savings - Total</b>	<b>3.8</b>	<b>6.5</b>	<b>6.0</b>	<b>2.3</b>	<b>18.6</b>
<b>Adjusted EBITDA (per Senior Secured Debt Reporting)</b>	<b><u>19.0</u></b>	<b><u>38.6</u></b>	<b><u>53.5</u></b>	<b><u>23.5</u></b>	<b><u>\$ 134.6</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 1L Senior Secured Debt Ratio Calculation and for comparability.