

# Q1 2022 Investor Call

May 17, 2022 – 10:00 AM EDT

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## 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. 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.

- Difficult Start to Year
  - Cyber Security Event
  - China Covid Disruptions
  - Choppy Supply Chain Environment
- Core Revenue Down 10%, Adjusted EBITDA \$15M, Down \$30M vs PY
- Working Capital Use Driven by Supply Constraints, Cyber Incident and Excess Inventory
- Rebound & Rapid Recovery in Motion



- Demand and POS Trends Remain Strong
- Pricing, Productivity + OPEX Savings to Offset FY Inflation and Logistics Costs
- Growth Drivers Continue to Gain Market Momentum
  - New Products
  - Listing | New Platform Wins
  - Geo Expansion | New Verticals
  - Brand Building





## CRESCENT

Shockforce G2



Trade Hammers



Heavy Duty  
Cutting



Power Tool Accessories



## GW GEARWRENCH

90T Ultimate Ratchet



BoltBiter Drivers & Inserts



High Piece Count Sets



Foam Trays & Cabinets



Torque Wrenches



## SATA

PTA



Auto Equipment & Cordless



Electronic Cutting Tools & Fastening



PP&E



## Cleco



CellClutch



CellFlex



250 Controller



## Weller

WX Smart and Big Bang



- Detected cybersecurity activity on 3/11
  - Proactively shut down systems
- Forensics investigation nearing completion
  - Organization-wide restoration solution in progress
  - All main software operational; minor server data restoration to be done
- Production/distribution back online since early April
- Actions taken to further safeguard our systems
- \$15-20M of one-time costs (\$6M in Q1)



- **Core Revenue down 10% (up >10% excluding cyber incident)**
  - Hand Tools -8%; Power Tools -16%
  - \$72M cyber incident sales impact
- **Gross Margin of \$86M**
  - Gross Margin of 29% down 440 bps due to unfavorable inflation and impact of supply chain constraints (mainly transportation) offset partially by productivity and pricing
- **Adjusted EBITDA of \$15M, down \$30M vs. PY**
  - Adjusted EBITDA margin of 5%
  - Estimated cyber incident impact of ~\$22M
- **Q1 Highlights (HTs) -8%**
  - **NA Retail Channel:** Up 5%; excluding supply chain constraints / cyber incident, up an estimated 20%+; orders remain strong
  - **NA Industrial / Auto Channels:** Down 7%; excluding supply chain constraints / cyber incident, up an estimated 10%+; orders remain strong
  - **APAC:** Down 15%; excluding cyber incident / China COVID lockdowns, up an estimated 15%+; plan to complete Q1 promotion in Q2
  - **LAC:** Down 47%; excluding cyber incident, down an estimated 15%
- **Q1 Highlights (PTs) -16%**
  - Driven by Weller (-19%) and Cleco (-23%); excluding cyber incident, roughly flat
  - End markets beginning to emerge from cyclical lows

(\$ Millions)

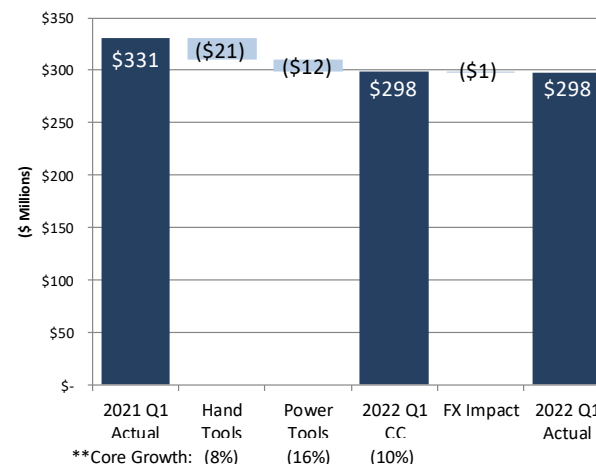
	Quarter	
	Q1 '22	Q1 '21
Net Revenue	\$ 297.7	\$ 331.2
Adj. Gross Margin	86.2	110.4
Adj. Gross Margin %	28.9%	33.3%
Adj SG&A	76.6	70.9
Adj EBITDA	\$ 15.2	\$ 45.6
Adj EBITDA %	5.1%	13.8%

CapEx	\$ (3.3)	\$ (3.4)
(Inc)/Dec in OWC*	\$ (69.3)	\$ (74.8)
Interest Payments	\$ 31.1	\$ 29.5

## Other Comments

- Gross Margin decreased 440 bps due primarily to inflation, supply chain constraints and cyber incident, partially offset by pricing and productivity
- SG&A increased due to inflation and investments in our commercial efforts, including brand building/A&P, R&D and other marketing efforts
- Slightly less use of OWC in Q1 2022 than 2021; however, ~\$45M of the use in Q1 2022 is related to held inventory from delayed revenues following cyber incident

## Q1'22 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	
	Q1 '22	Q1 '21
Net Revenue	\$ 234.3	\$ 253.4
Adj. Gross Margin	61.3	79.1
Adj. Gross Margin %	26.2%	31.2%
Adj SG&A	43.1	39.7
Adj EBITDA	\$ 22.1	\$ 43.8
Adj EBITDA %	9.4%	17.3%

- Q1 Core HT Revenue down 8%; excluding estimated cyber incident impact of ~\$58M, +15% growth, with strength in NA Retail, NA Industrial and Global SATA channels prior to the cyber incident
- Q1 Gross Margin decreased 500 bps due primarily to Inflation, supply chain 1x costs and the impact from delayed revenues from the cyber incident, partially offset by pricing and productivity
- Q1 FX Impact on HT Sales of +\$2M and +\$0.5M Adj. EBITDA impact

## Power Tools

(\$ Millions)	Quarter	
	Q1 '22	Q1 '21
Net Revenue	\$ 63.4	\$ 77.9
Adj. Gross Margin	24.8	31.3
Adj. Gross Margin %	39.2%	40.2%
Adj SG&A	19.4	17.7
Adj EBITDA	\$ 6.9	\$ 14.8
Adj EBITDA %	10.8%	19.0%

- Q1 Core PT Revenue down 16%; excluding estimated cyber incident impact of ~\$14M, +2% growth, with mid-single digit growth in Cleco/Weller channels prior to the cyber incident
- Q1 Gross Margin decreased 100 bps due primarily to Inflation partially offset by pricing and productivity
- Q1 FX Impact on PT Sales of (\$2M) and Adj. EBITDA impact (\$0.2M)

	Revenue (\$M)	Adj. EBITDA (\$M)	
Q1 2021	\$331	\$46	
FX translation	(1)	--	Immaterial
Pricing	8	8	~3% pricing
Volume	32	7	Driven by new products, placement, demand trends
Cyber Incident	(72)	(22)	Delayed revenues (orders in hand)
Inflation <sup>(1)</sup>	--	(19)	~9% cost inflation
Productivity <sup>(1)</sup>	--	3	~1% productivity
Mix and Other	--	(1)	Includes ~\$5M of YOY supply chain 1x costs (exp freight, alt port costs, component spot buys, DC inefficiencies)
Change in SG&A	--	(6)	Growth investments and inflation
Change in Pro Forma Adders	--	(1)	1Q2022 PF Adders – 1Q2021 PF Adders
Q1 2022	\$298	\$15	

<sup>(1)</sup> Material, Labor and Overhead only

# Q&A



- Full Year Estimate
  - Sales: \$1.55 - \$1.6B; Adj EBITDA: \$170-195M; Inventory: \$390-410M
- Hand Tools order volume and backlog through mid-May continues to be encouraging
  - Demand signals (customer POS) look strong; NA Retail and China markets remain very strong; SATA promotion on track until cyber incident
  - Supply chain one-time costs and transportation inflation higher than expected
- Moderately improving Power Tools order patterns and strong order backlog
- Cyber Incident Update
  - Investigation nearing completion, restoration almost done
  - Negative Revenue and Adj. EBITDA impact to Q1 vs budget was \$72M (vs ~\$60-80M est) and \$22M (vs ~\$20-30M est), respectively
    - Our plan is to recover this most of this sales miss in 2022, assuming positive demand trends continue and we successfully navigate the ongoing supply chain constraint situation in NA and COVID situation in China
    - Our key customers/suppliers across channels/geographic regions supportive and complimentary
    - 1x costs (professional fees, unabsorbed fixed costs, etc.) of ~\$15-20M (no change to est)

\* 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><b>\$USD in Millions</b></i>	<b>Q1 '21</b>	<b>Q2 '21</b>	<b>Q3 '21</b>	<b>Q4 '21</b>	<b>FY 2021</b>	<b>Q1 '22</b>
Hand Tools	253.4	264.9	301.0	274.7	1,093.8	234.3
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>
<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>
Hand Tools	79.1	81.2	85.4	81.2	326.9	61.3
Power Tools	31.3	31.8	29.8	32.5	125.3	24.8
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>
<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>
Hand Tools	39.7	38.2	44.0	44.1	166.0	43.1
Power Tools	17.7	19.7	19.6	18.4	75.5	19.4
Group Admin	<u>13.4</u>	<u>12.7</u>	<u>13.3</u>	<u>12.1</u>	<u>51.6</u>	<u>14.1</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>
Hand Tools	43.8	46.5	45.9	40.5	176.6	22.1
Power Tools	14.8	13.2	11.3	15.5	54.8	6.9
Group Admin	<u>(13.1)</u>	<u>(12.4)</u>	<u>(13.5)</u>	<u>(11.2)</u>	<u>(50.2)</u>	<u>(13.8)</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>

<i>\$USD in Millions</i>	Q2 2021	Q3 2021	Q4 2021	Q1 2022	LTM Q1
Net earnings (loss)	(34.2)	(28.3)	(28.9)	(49.5)	(140.9)
Add:					
Interest Expense, Net	24.6	25.0	25.0	27.8	102.4
Tax Expense (Benefit)	7.6	6.8	8.5	3.6	26.5
Depreciation / Amortization Expenses	32.9	33.2	33.1	25.4	124.6
<b>Unadjusted Reported EBITDA</b>	<b>30.9</b>	<b>36.8</b>	<b>37.6</b>	<b>7.3</b>	<b>112.6</b>
Pro-Forma Adjustments:					
Restructuring Charges, Net of Disposals	3.1	(0.8)	1.8	-	4.1
Sponsor Management Fees	0.8	0.7	0.8	0.8	3.0
Non-Cash Mark to Market Adjustments	1.0	0.4	0.7	(0.2)	1.9
Transactional FX Gain/(Loss)	8.9	4.0	1.9	(6.2)	8.5
Cyber Security Expense	-	-	-	6.2	6.2
Debt Extinguishment	-	-	-	7.1	7.1
All Other	2.6	2.5	2.0	0.2	7.3
<b>Adjusted EBITDA</b>	<b>47.2</b>	<b>43.6</b>	<b>44.7</b>	<b>15.2</b>	<b>150.7</b>
APAC COGS Actions (Australia Restructuring)	0.1	-	-	-	0.1
<b>Proforma Savings - Total</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.1</b>
<b>Adjusted EBITDA (per Senior Secured Debt Reporting)</b>	<b>47.3</b>	<b>43.6</b>	<b>44.7</b>	<b>15.2</b>	<b>150.8</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.