

# Q2 2022 Investor Call

August 16, 2022 – 10:00 AM EDT

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## Participants:

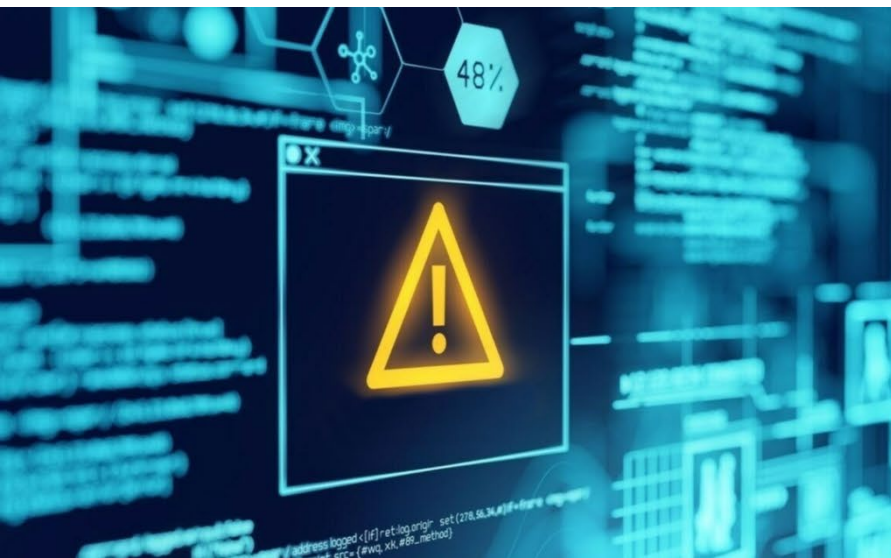
- Jim Roberts – CEO
- Ross Porter – CFO
- Rob Resler – SVP Finance & IT

- Disclosures
- Q2 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 First Half
  - Cyber Security Event
  - China Covid Disruption
  - Choppy Supply Chain Environment
- Q2 Core Revenue Up 12%, Adjusted EBITDA \$32M, Down \$15M vs PY
- Rebound & Rapid Recovery in Motion, although limited due to Shanghai lockdowns and continued supply chain constraints lasting longer than anticipated
- OWC Use Driven by normal Seasonality, Supply Constraints, Cyber Incident and China COVID situation
- Order backlog still strong; Retail POS remains positive, but softening



- **Core Revenue up 12%**
  - Hand Tools +13%; Power Tools +12%
- **Gross Margin of \$106M**
  - Gross Margin of 28% down 490 bps due to unfavorable inflation (including cap variance amortization and impact of supply chain constraints), offset partially by pricing/productivity
- **Adjusted EBITDA of \$32M, down \$15M vs. PY**
  - Adjusted EBITDA margin of 8%
- **Q2 Highlights (HTs) +13%**
  - **NA Retail Channel:** Up 3%; orders leveling off with seasonality curve
  - **NA Industrial / Auto Channels:** Up 28%; orders remain strong
  - **APAC:** Up 12%
  - **LAC:** Up 27%
- **Q2 Highlights (PTs) +12%**
  - **Weller** Up 15%
  - End markets continue to emerge from cyclical lows

(\$ Millions)

	Quarter	
	Q2 '22	Q2 '21
Net Revenue	\$ 383.7	\$ 347.5
Adj. Gross Margin	106.0	113.0
Adj. Gross Margin %	27.6%	32.5%
Adj SG&A	79.3	70.7
Adj EBITDA	\$ 32.1	\$ 47.3
Adj EBITDA %	8.4%	13.6%

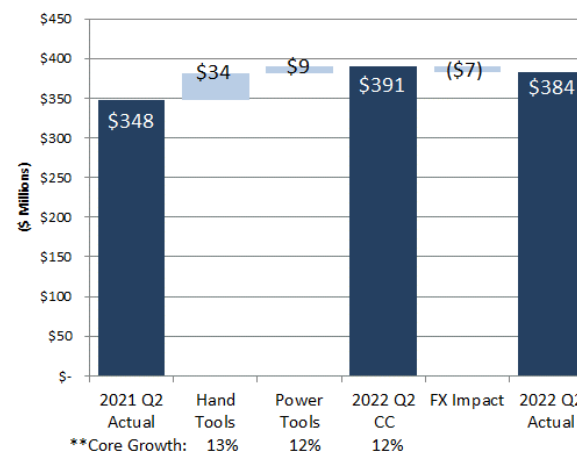
CapEx	\$ (3.8)	\$ (5.6)
(Inc)/Dec in OWC*	\$ (26.7)	\$ (33.3)
Interest Payments	\$ 24.6	\$ 16.0

Other Comments

- Gross Margin decreased 490 bps due primarily to inflation (including cap variance amortization and supply chain constraints), partially offset by pricing/productivity
- SG&A increased due to inflation and supply chain constraint costs in distribution

- Slightly less use of OWC in Q2 2022 than 2021

Q2 '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	
	Q2 '22	Q2 '21	YTD '22	YTD '21
Net Revenue	\$ 296.5	\$ 264.9	\$ 530.8	\$ 518.2
Adj. Gross Margin	76.5	81.2	137.9	160.3
Adj. Gross Margin %	25.8%	30.7%	26.0%	30.9%
Adj SG&A	46.6	38.2	90.0	77.9
Adj EBITDA	\$ 33.7	\$ 46.5	\$ 55.6	\$ 90.3
Adj EBITDA %	11.4%	17.5%	10.5%	17.4%

- Q2 Core HT Revenue up 13% with strength in NA Retail, NA Industrial and Global SATA channels
- Q2 Gross Margin decreased 490 bps due primarily to mix, inflation and supply chain 1x costs, partially offset by pricing and productivity
- Q2 FX Impact on HT Sales of (\$2.4M) and Adj. EBITDA impact (\$0.9M)

## Power Tools

(\$ Millions)

	Quarter		Year to Date	
	Q2 '22	Q2 '21	YTD '22	YTD '21
Net Revenue	\$ 87.2	\$ 82.7	\$ 150.5	\$ 160.6
Adj. Gross Margin	29.4	31.8	54.2	63.1
Adj. Gross Margin %	33.7%	38.5%	36.0%	39.3%
Adj SG&A	19.8	19.7	39.2	37.4
Adj EBITDA	\$ 11.0	\$ 13.2	\$ 17.8	\$ 28.0
Adj EBITDA %	12.6%	16.0%	11.8%	17.5%

- Q2 Core PT Revenue up 12% with double digit growth in the Weller channel
- Q2 Gross Margin decreased 480 bps due primarily to inflation and supply chain 1x costs, partially offset by pricing and productivity
- Q2 FX Impact on PT Sales of (\$4.7M) and Adj. EBITDA impact (\$0.7M)

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)	
Q2 2021	\$348	\$47	
FX translation	(7)	(2)	Stronger USD vs RMB and Euro
Pricing	24	24	7% pricing
Volume	18	7	Driven by new products, placement, demand trends
Inflation <sup>(1)</sup>	--	(15)	6% cost inflation
Productivity <sup>(1)</sup>	--	2	1% productivity
Mix and Other	--	(21)	Primarily represents \$10M of net deferred cap variance amortization and \$7M of YOY supply chain 1x costs (exp freight, alt port costs, component spot buys)
Change in SG&A	--	(10)	Primarily inflation and distribution center inefficiencies
Q2 2022	\$383	\$32	

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

Topic	Q1 Call Comments	Q2 Call Outlook
Cyber Incident	Restoration on track	No Change
Shanghai CV-19 Lockdowns	Back to normal early May	Back to normal mid-June
Supply Chain Lead-Times	Beginning to see signs of easing	No easing yet – still 220+ days from China to US
Component Supply Issues	PCB Boards (mainly)	No Change to slightly worse
POS Data	Strong globally	NA Retail POS softening Industrial end markets strong
Order Backlog	Record levels	Record highs in PT's APAC orders still strong
Inflation	~\$50-55M (5%)	No change
Pricing	~\$70M (5%)	~\$80M (6%)

# Q&A

- Full Year Estimate
  - Sales: ~\$1.5B; Adj EBITDA: \$150-\$160M; Inventory: \$400-\$420M
  - EBITDA guidance change from last quarter's estimate of \$170-\$195M is due to the impact of the longer China Covid lockdown period (mid-June back to 100% vs early May forecast) and the stubborn extended lead-times from China to the US (still over 220 days)
  - Our estimate of the sales impact vs last forecast is ~\$50-\$100M
- Hand Tools order volume and backlog through mid-August overall remains solid
- 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 \$25-30M (adjusted out)
  - \$14M booked through 1H
  - The remaining H2 costs to be realized relate to the amortization of cap variances in Q3 from direct labor inefficiencies and unabsorbed FOH costs in late Q1 / Q2

\* 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
Hand Tools	253.4	264.9	301.0	274.7	1,093.8	234.3	296.5
Power Tools	77.9	82.7	81.2	84.6	326.4	63.4	87.2
<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>
Hand Tools	79.1	81.2	85.4	81.2	326.9	61.3	76.5
Power Tools	31.3	31.8	29.8	32.5	125.3	24.8	29.4
Group Admin	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>86.2</b>	<b>106.0</b>
Hand Tools	39.7	38.2	44.0	44.1	166.0	43.4	46.6
Power Tools	17.7	19.7	19.6	18.4	75.5	19.4	19.8
Group Admin	13.4	12.7	13.3	12.1	51.6	13.8	13.0
<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>
Hand Tools	43.8	46.5	45.9	40.5	176.6	21.9	33.7
Power Tools	14.8	13.2	11.3	15.5	54.8	6.8	11.0
Group Admin	(13.1)	(12.4)	(13.5)	(11.2)	(50.2)	(13.5)	(12.6)
<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>

<i>\$USD in Millions</i>	Q3 2021	Q4 2021	Q1 2022	Q2 2022	LTM Q2
<b>Net earnings (loss)</b>	<b>(28.3)</b>	<b>(28.9)</b>	<b>(49.5)</b>	<b>(21.4)</b>	<b>\$ (128.1)</b>
<b>Add:</b>					
Interest Expense, Net	25.0	25.0	27.8	25.9	103.7
Tax Expense (Benefit)	6.8	8.4	3.6	12.0	30.8
Depreciation / Amortization Expenses	<u>33.3</u>	<u>33.1</u>	<u>25.4</u>	<u>21.4</u>	<u>113.2</u>
<b>Unadjusted Reported EBITDA</b>	<b>36.8</b>	<b>37.6</b>	<b>7.3</b>	<b>37.9</b>	<b>\$ 119.6</b>
<b>Pro-Forma Adjustments:</b>					
Restructuring Charges, Net of Disposals	(0.8)	1.8	-	2.7	3.7
Sponsor Management Fees	0.7	0.8	0.8	0.7	3.0
Non-Cash Mark to Market Adjustments	0.4	0.7	(0.2)	(0.3)	0.6
Cybersecurity Expenses	-	-	6.2	5.0	11.2
COVID-19 Expenses	-	-	-	3.1	3.1
Debt Extinguishment	-	-	7.1	-	7.1
Transactional FX Gain/(Loss)	4.0	1.9	(6.2)	(17.3)	(17.7)
All Other	2.5	2.0	0.2	0.3	5.0
<b>Adjusted EBITDA</b>	<b>43.6</b>	<b>44.7</b>	<b>15.2</b>	<b>32.1</b>	<b>135.6</b>
<b>Adjusted EBITDA (per Senior Secured Debt Reporting)</b>	<b><u>43.6</u></b>	<b><u>44.7</u></b>	<b><u>15.2</u></b>	<b><u>32.1</u></b>	<b><u>\$ 135.6</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 Senior Secured Debt Ratio Calculation and for comparability.