



2008

# Interim Results

*22 August 2008*



**Introduction**

**Horst Pudwill**

**Chairman**



# Joe Galli

CEO





**is**

**Outperforming the  
Market**





## 2008 Interim Highlights

**Sales**

**+10.1%**

**EBIT** before one-time benefit

**+79.9%**

**Hoover Turnaround**

**+US\$28M**

**Improvement**



# 2008 Interim Financial Results

	2008 <u>US\$m</u>	2007 <u>US\$m</u>	<u>Changes</u>
<b>Sales</b>	1,688	1,533	+10.1%
<b>Gross Profit Margin%</b>	31.5%	31.8%	
<b>EBIT</b> (Before one time benefit, restructuring and transition costs)	99	55	+79.9%
<b>One Time Benefit</b>	5	42	(88.0%)
<b>EBIT</b> (After one time benefit before restructuring and transition costs)	104	97	+7.1%
<b>Restructuring and Transition Costs</b>	21	0	N/A
<b>Net Profit</b> (After one time benefit, restructuring and transition costs)	46	65	(30.4%)
<b>EPS (US cents)</b> (After one time benefit, restructuring and transition costs)	3.04	4.43	(31.5%)



# 2008 Interim Financial Results

	2008 <u>HK\$m</u>	2007 <u>HK\$m</u>	<u>Changes</u>
<b>Sales</b>	<b>13,135</b>	<b>11,928</b>	<b>+10.1%</b>
<b>Gross Profit Margin%</b>	<b>31.5%</b>	<b>31.8%</b>	
<b>EBIT</b> (Before one time benefit, restructuring and transition costs)	<b>770</b>	<b>428</b>	<b>+79.9%</b>
<b>One Time Benefit</b>	<b>39</b>	<b>327</b>	<b>(88.0%)</b>
<b>EBIT</b> (After one time benefit before restructuring and transition costs)	<b>809</b>	<b>755</b>	<b>+7.1%</b>
<b>Restructuring and Transition Costs</b>	<b>166</b>	<b>0</b>	<b>N/A</b>
<b>Net Profit</b> (After one time benefit, restructuring and transition costs)	<b>355</b>	<b>509</b>	<b>(30.4%)</b>
<b>EPS (HK cents)</b> (After one time benefit, restructuring and transition costs)	<b>23.62</b>	<b>34.50</b>	<b>(31.5%)</b>

# Restructuring Overview

(US\$m)	Actual	Plan			<u>Total</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
Cash	53.5	41.8	-	-	95.3
Non cash	32.4	22.5	-	-	54.9
Subtotal	85.9	64.3	-	-	150.2
Transition Cost	9.6	8.1	4.3	-	22.0
Total	95.5	72.4	4.3	-	172.2
Savings	-	25.0	45.0	70.0	



## Restructuring Plan

## Actual

(US\$m)	<u>2008 Full Year</u>	<u>2008 1<sup>st</sup> Half</u>
Cash	41.8	15.2
Non cash	22.5	1.5
Subtotal	64.3	16.7
Transition Cost	8.1	4.7
Total	72.4	21.4
Savings	25.0	31.5



# Financial Review

**Frank Chan**

**Chief Financial Officer**



# 2008 Interim Financial Performance

For the 6 months period ended June 30, 2008

	2008 HK\$m	% of sales	2007 HK\$m	% of sales	% Change
Sales	13,135		11,928		10.1
Gross Profit	4,131	31.5%	3,790	31.8%	9.0
Operating Expenses (Before restructuring and transition costs)	3,355	25.5%	3,357	28.1%	(0.1)
EBIT (Before other income, restructuring and transition costs)	770	5.9%	428	3.6%	79.9
Finance Costs	262	2.0%	216	1.8%	21.3
Taxation	52		78		(33.3)
Restructuring and Transition Cost	166	1.3%	0	0.0%	N/A
Net Profit (Before other income, restructuring and transition cost)	482	3.7%	182	1.5%	164.8
Net Profit (After other income, restructuring and transition cost)	355	2.7%	509	4.3%	(30.3)
EPS (Before other income, restructuring and transition cost)	32.09		12.34		160.0
EPS (After other income, restructuring and transition cost)	23.62		34.50		(31.5)

# Financial Position

(HK\$m)

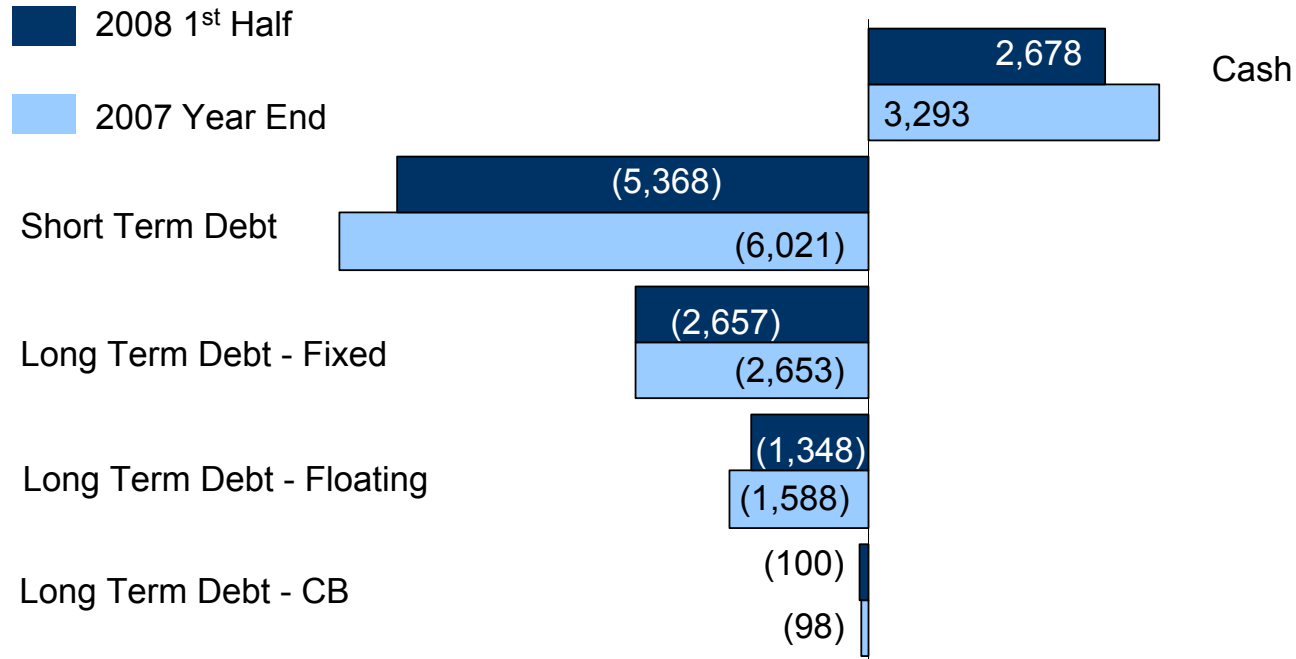
	2008 June	2007 Dec	Factors
Non-current Assets	10,220	10,015	
Current Assets	13,999	14,954	} More efficient cash and working capital management
Current Liabilities	11,196	11,983	
Net Current Assets	2,803	2,971	
Long-term Liabilities	5,630	5,975	Reclassified to current liabilities
Shareholders' Funds	7,296	6,920	
Current Ratio (CA / CL)	1.25	1.25	
Quick Ratio (CA-inventories / CL)	0.72	0.75	

*Balance Sheet remains healthy*



# Debt Profile

As of June 30, 2008 and December 31, 2007 (HK\$m)



	2008 1st Half	2007 Year End
<b>Long Term Debt / Total Debt</b>	<b>42.6%</b>	<b>41.3%</b>
<b>Gearing (Net Debt / Shareholders' Funds)</b>	<b>95.3%</b>	<b>104.3%</b>
<b>Interest Coverage (X)*</b>	<b>4.5x</b>	<b>4.5x</b>


\*Interest Coverage = EBITDA/Interest expense







## Financial Targets

	<u>2007 1H</u>	<u>2007 YE</u>	<u>2008 1H</u>		<u>2011</u>
<b>GM %</b>	31.8%	31.5%	31.5%		<b>34%+</b>
<b>SG&amp;A %</b>	28.2%	27.9%	25.5%		
<b>EBIT%</b>	3.6%	3.6%	5.9%		<b>10%+</b>







# Strategic Roadmap

1. Gross Margin
2. Sales Growth
3. Free Cash Flow
4. Organization Development
5. Operating Cycle





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# Gross Margin Challenges

- PRC Inflation
  - Labor
  - Labor Law
  - RMB
  - VAT
- Commodity Inflation

***Impacting All Competitors***



# TTI Plan

**Offset Inflation**

**+**

**Improve Gross Margin**

# Challenges offset by Plan

1. High Margin New Products
2. Hoover Restructuring
3. Milwaukee Restructuring
4. New PRC Facility
5. Comprehensive TTI Productivity Initiative
6. “Global” Operations Plan

# Gross Margin Improvement

Key



**New Product**

# Hoover Restructuring

Hoover Turnaround : +US\$28M

# Milwaukee Restructuring

- 1<sup>st</sup> US Facility closed ahead of schedule – 6/08
- 2<sup>nd</sup> US Facility on-schedule for closure – 9/08
- New PRC Facility operational

***Savings of US\$7.3M in 2008 1H***



# TTI Campus





**Innovation Center**



**Assembly Factories**



**Warehouse**



**Staff Dormitories**

# Global Manufacturing Platform





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**Challenging economic  
environment**

**but...**

 **TTI is Driving Sales Growth**

# TTI 2008 1H Sales

+10.1%

**Down**

OEM

Single digit

(As planned)

**Up**

US Consumer Tools

US Professional Tools

Low single digit

Floor Care

US Outdoor

Europe

Canada

Australia

Mid single digit

Double digit



**TTI is outperforming the market and capturing market share**





# ***A New Product Machine***



# Cordless



**RYOBI.**

**RIDGID**

**Milwaukee**

**AEG**







***Lithium 12V***

***Cordless***





***Lithium 18V***

***Cordless***



**RIDGID** *LITHIUM ION 12v*

**Cordless**

***Cordless***

*LITHIUM ION 12v*

**RIDGID**

**RIDGID** *LITHIUM ION 18v*

**Cordless**

***Cordless***

*LITHIUM ION 18v*

**RIDGID**



**Cordless**





**Cordless**



**AEG**

***Lithium 12V/ 18V***

**Cordless**

***Cordless 12V/18V***

**AEG**

# Cordless



*Milwaukee*

AEG

RIDGID

RYOBI

*Lithium Batteries*







***Cordless Sales up  
40% in 1<sup>st</sup> Half***



*Milwaukee*<sup>®</sup>

**RYOBI**<sup>®</sup>

**AEG**

***Corded  
Power Tools***



***Accessories***

**RYOBI®**

***Accessories***



**TITANIUM**

# *Outdoor Products*



**Homelite®**



# *Outdoor Corded*

**Homelite®**



# *Gas Chain Saw*

**Homelite®**





**RYOBI**®



# *Gas Pressure Washer*



**HUSKY**™

# *Outdoor Accessories*

**RYOBI®**

**Homelite®**

# *Floor Care*





®



# *Floor Care*

PLATINUM  
*Collection*™



***Floor Care***

PLATINUM  
*Collection*™

**LiNX**™  
CORDLESS  
SYSTEM




***Floor Care***





# Products Launched in the last 12 months

<b>Power Tools</b>		<b>133</b>
<b>Outdoor Products</b>		<b>108</b>
<b>Floor Care</b>		<b>82</b>
<b>Total</b>		<b>323</b>



# Geographic Expansion





# Strategic Roadmap

1. Gross Margin
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## Free Cash Flow

**2007/2008 Impacted by:**

**Restructuring**

**Inventory build up for Restructuring**

**New PRC Facility**

**Hoover losses**



## Long Term Target:

**TTI will convert ~ 100% of Net Profit into  
Free Cash Flow**

and...

**Net Profit will grow**

# Free Cash Flow

(US\$)	<u>2007 1H</u>	<u>2007 YE</u>	<u>2008 1H</u>	<u>Target 2009-2011</u>
Free Cash Flow	\$13m	(\$58m)	\$71m	100% of Net Profit
% of Net Profit	19%	(360%)	155%	




100% of Net Profit

## Improve through:

1. Completing Restructuring
2. Increase EBIT
3. Reducing Working Capital as a % of Sales
4. Completing PRC New Facility
5. Reduce Fixed Capital as a % of Sales
6. Turnaround Hoover


# Inventory

<u>2007 1H</u>	<u>2007 YE</u>	<u>2008 1H</u>	<u>Target</u>
\$669m	\$765m	\$770m	64 days
83 days	88 days	84 days	





# Working Capital

	<u>2007 1H</u>	<u>2007 YE</u>	<u>2008 1H</u>		<u>Target 2009-2011</u>
Inventory Days	83	88	84		64
Receivables DSO	68	62	57		57
Payables DPO	69	66	63		59
<b>Working Capital As a % of Sales</b>	22.5%	22.9%	21.4%		<b>17.0%</b>

# Fixed Capital

(US\$)	<u>2007 1H</u>	<u>2007 2H</u>	<u>2008 1H</u>	<u>Target 2009-2011</u>
<b>CAPEX</b> <i>% of sales</i>	\$40m 2.6%	\$71m 4.3%	\$53m 3.1%	$\leq 2.5\%$
<b>Depreciation</b> <i>% of sales</i>	\$36m 2.3%	\$37m 2.2%	\$34m 2.0%	Capex $\leq$ Dep



# Free Cash Flow

a





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# Strengthen / Upgrade Organization



# Management Team

**Strong TTI Veterans**

**+**

**Outstanding New Hires**

***TTI = Exceptional People***





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# Operating Cycle

**Strategic Planning**

**Organization Review**

**Budget**



**Annually**

**Global Product  
Summits**



**Semi-Annually**

**Operations Reviews**



**Quarterly**





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