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Techtronic Industries Company Limited

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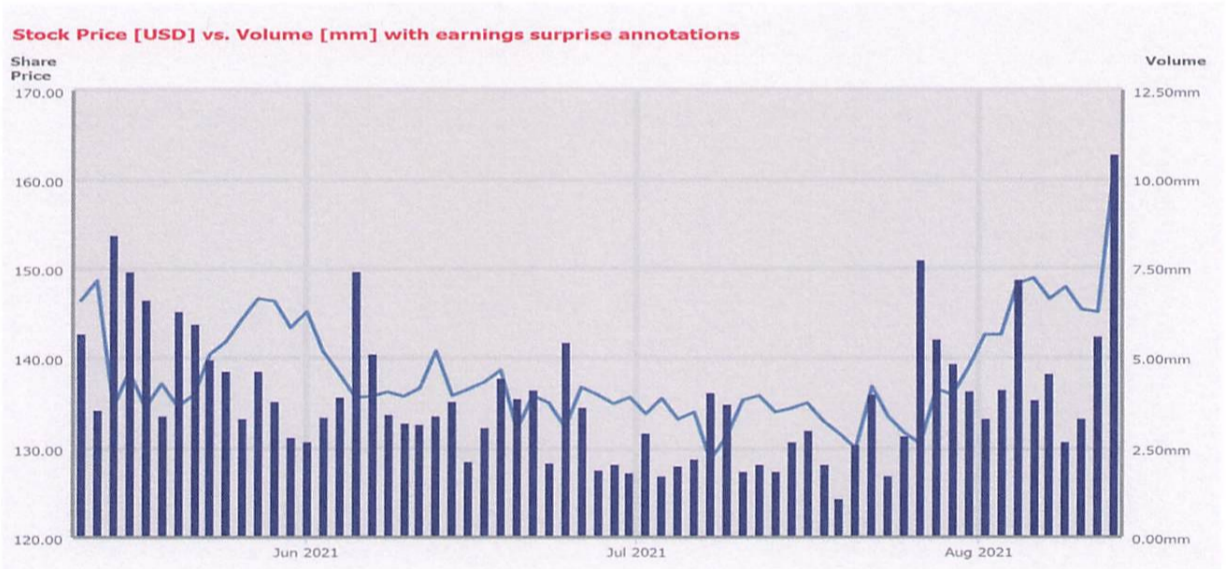
FH1 2021 Earnings Call Transcripts

Thursday, August 12, 2021 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FH1 2021-	-FH2 2021-		-FY 2021-	-FY 2022-
	CONSENSUS	CONSENSUS	SURPRISE	CONSENSUS	CONSENSUS
EPS Normalized	0.24	0.30	●0.00	0.58	0.69
Revenue (mm)	5383.43	6467.24	▲1.16	12518.89	14444.76

Currency: USD
Consensus as of Aug-12-2021 12:39 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FH2 2019	0.17	-	-
FH1 2020	0.14	-	-
FH2 2020	0.23	-	-
FH1 2021	0.24	0.28	▲16.67 %

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Call Participants

EXECUTIVES

Chi Chung Chan
Group CFO & Executive Director

Horst Julius Pudwill
Founder & Executive Chairman

Joseph Galli
CEO & Executive Director

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Presentation

Operator

Ladies and gentlemen, welcome to Techtronic Industries' 2021 Interim Results Announcement Analyst and Investor Webcast. In this interim results webcast, TTI will share the updated performance for the 6 months ending June 30, 2021.

Before we begin, let me introduce to you the key management of TTI with us today. They are Mr. Horst Pudwill, Group Chairman; Mr. Joe Galli, our CEO; and Mr. Frank Chan, our CFO.

Mr. Horst Pudwill will first give us his opening remarks. Then Mr. Frank Chan will walk us through the half year financial results, followed by the business overview and strategy by Mr. Joe Galli.

Without further ado, let me pass the time to our Chairman. Mr. Pudwill, please.

Horst Julius Pudwill
Founder & Executive Chairman

Thank you for attending TTI's 2021 Interim Result Announcement. Given the continued public health concern and requirement for social distancing, we are presenting our interim result announcement via webcast.

I'm pleased to announce that we delivered another set of outstanding results for the first half of 2021. We achieved exceptional revenue and net profit growth of 52% and 57%, respectively. We continued strengthening our global leadership position, growing in every business unit in all geographic regions.

At TTI, we have built an exceptional world-class team headed by our Group CEO, and we would like to recognize the outstanding achievements for delivering strong results. We are proud of the Board, strategic decisions we have made over the past 18 months to position ourselves for the strong second half of 2021 and for the year ahead.

Frank Chan, our Group CFO, will now provide you with a 2021 first half financial overview. And Joe Galli, our Group CEO, will cover the business overview and strategy.

I will now hand over to Frank Chan and Joe Galli for their presentation. Thank you.

Chi Chung Chan
Group CFO & Executive Director

Thank you, Mr. Chairman. First half 2021 results has been really extraordinary. Our sales grew by 52% to USD 6.4 billion, an increase of close to USD 2.2 billion. When compared to the 2019 first half revenue, our sales went up by 71% while MILWAUKEE was up 84%.

Our revenue growth being driven by our continuous investments in new products, strategic inventory build to serve our customers with consistently high service levels, our [far reaching] world-class e-commerce capability delivering exceptional results together with our bold investments in manufacturing, distribution and productivity throughout our global operations.

Gross profits increased by 54.3% to close to USD 2.5 billion, with margin further improved for the 13th consecutive period by 58 basis points to 38.6%. The gross margin improvement was a direct result of our launching margin-accretive new innovative products and categories, mix management, volume leverage, effective cost control and high level of operational and production efficiencies. EBIT increased by 57.4% to USD 572 million with margins improved by 30 basis points.

Our net profit increased by 57.9% to USD 524 million. Net profit margin also increased by 30 basis points, both outpaced our sales growth.

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Earnings per share increased by 57.8% to approximately USD 0.2862 per share. The Board declared an interim dividend of HKD 0.85 per share, representing an increase of 60.4% over last year and a payout ratio of 38.3%.

Our key financial metric has always been EBIT and net profit increase must outperform sales growth. As earlier mentioned, we have again been able to deliver this target.

Over the 13 periods under review, sales CAGR was at 13%, while our EBIT and net profit delivered a compound annual growth rate of 20% and 26%, respectively.

Power Equipment division, accounting for 91% of the group's revenue, increased by 55.3% to USD 5.8 billion. Our flagship MILWAUKEE business delivered an astounding growth of 64.1% globally. This record growth was mainly from innovative new products launched, our focus on end users conversion and strong commercial execution.

Our Consumer Power Tools division also performed exceptionally well across all brands and delivered solid double-digit growth in the first half, led by the launch of new high-powered RYOBI brushless tools and our global leadership range of battery-powered mowers and handheld outdoor equipment.

Operating profits of this division increased by 57.1% [or] 10 basis points margin improvement as compared to first half last year.

Floor Care and Cleaning business account for 9% of the group's revenue, increased by 25.3% to USD 574 million, with operating profits increased by 90% to USD 6.8 million and margins improved by 40 basis points. We are highly encouraged by the traction and we'll continue to build our high potential cordless ONE PWR systems, together with our strategic carpet washers and formulas, setting the stage for future strong performance.

From a geographic perspective, all regions contributed to our impressive revenue growth. North America, 76.4% of the group's revenue, grew by 50.2%. Europe, 15.9% of total sales, grew by 62.3%, while rest of the world grew 50%.

Our strong first half results was driven by our self-funded strategic SG&A investments. SG&A as a percentage to sales was at 29.7% as compared to 29.5% same period last year. We have continued to invest in high-speed new product development, distribution, market expansion, capturing additional market share while we've also been able to leverage our volume and delivered an 8 basis point savings on nonstrategic SG&A.

R&D spend was at 3.1% of sales, a 20 basis points increase over last year's same period. Investments in innovative and technologically advanced new products allow us to achieve sales levels in excess of our competition and continue to fuel the growth momentum and margin expansion.

Net finance cost was at USD 8.6 million, approximately 0.13% of sales. The increase was only USD 1.5 million over last year's same period, while our sales increased by USD 2.2 billion. We firmly believe we can continue to deliver very effective and efficient finance costs to support our future growth.

Effective tax rate remained comparable to last year at 7% as compared to 6.9% last period. In view of the global tax developments impacting traditional tax plans, we have been consistently improving our tax structure and plans to enable us to continue to deliver this very effective tax rates going forward.

Our balance sheet remains healthy and strong with shareholders' equity now in excess of USD 4.2 billion as compared to USD 3.5 billion same period last year. Net current assets was at approximately USD 2.4 billion at the reporting period.

As at June 30, 2021, our gearing was at 14.8% as compared to 4% same period last year. The increase in gearing at interim mainly due to our strategic build of working capital to manage the surge in demand across all markets, to navigate through global supply chain constraints together with our USD 128 million additional CapEx investing in manufacturing, productivity and distribution to allow us to continue to deliver strong growth in the future. We believe gearing will remain low by end of 2021.

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Total working capital as a percentage to sales was 18.3% as compared to 15.8% same period last year. The increase of $874 million in working capital was a result of our continued strategic cordless inventory build to support our above-market growth, to serve our customers with consistently high service levels and to insulate us from potential critical component shortages.

Inventory days was at 136 days. The increase in inventory, however, been partly financed by the increase in payables, which was at 125 days as we've been able to leverage our volume increase, order visibility and financial strength to improve our trade terms. Receivable days also improved by 9 days to 56 days.

CapEx for the first half amounted to USD 245 million, an increase of USD 128 million over last year's same period, reflecting our bold investments into the future. We have invested in manufacturing, productivity, distribution through our global operations to support our strong growth, momentum and accelerated the pace of our new product development for the coming years.

As we strategically build up our working capital and the additional USD 128 million CapEx spend, total net debt increased by USD 485 million. However, we have continued to maintain a very healthy cash balance of close to USD 2.3 billion.

Capturing the current low-cost environment and working capital financing, we've increased our floating rate debt portfolio to approximately 75% of our total debts. As most of these working capital financing are of a shorter tenor, short-term debts now account for 68% of our total debts. However, we have already initiated to [raise] debt with longer-dated tenor to finance our long-term capacity investments to maintain a balanced short- and long-term debt structure.

We will also continue to optimize our debt portfolio, leveraging our financial strength and current low-cost environment to support our growth for the years to come.

And now, I will pass the presentation to our CEO, Mr. Joe Galli.

Joseph Galli
CEO & Executive Director

I'm Joe Galli, and I am beyond excited to share with you the results of TTI's first half 2021, along with some highlights that you can expect from us in the months and years to come.

People continue to ask us what we think is going to happen near-term, long-term based on the virus other issues that we face in the world today. And our response is very simple here, we believe that the best way to predict the future is to control it, to create it as Lincoln said. And this is exactly what we intend to do. We are building a company here that will flourish in good times and bad, whatever the overarching circumstances are. And that's exactly what we have done in 2021, and we will continue to do.

Now greatness is an elusive quality among companies and it takes a lot of courage to be great. As Teddy Roosevelt famously said, "We must dare to be great." And for TTI, greatness means not only building a powerful company with outstanding financial results, but also a company that cares deeply about ESG.

And you're going to see in our highlights today that we are incredibly obsessed with and focused on doing the right things for our business, for our shareholders and for the planet. And I'm excited to share that with you as we go.

Okay, first half, can you imagine a power tool company growing 52%? We were up a cool $2.188 billion in sales in the first half of 2021. And the MILWAUKEE business, which is our flagship high-margin professional business, was actually up 64%. Now what makes these numbers even, even more extraordinary is when you look back at our performance versus 2019, you'll see even more incredible numbers.

In fact, versus 2019, we grew the company 71% and MILWAUKEE 84%. This is meaningful because many of our competitors actually saw their sales collapse last year in the first half while we grew. So we think it's very important that you look at a 2-year track record here in terms of sales results. And I think up 71% for the company, up 84% for MILWAUKEE is pretty darn good.

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One of the -- there's been some misinformation that was introduced by our large competitor in the U.S., and it's now in the public domain. And I intend to correct some of this misinformation today. For example, our largest competitor actually said that TTI is really good in North America and Australia, but the rest of the world, not so much.

And just so our investors understand, our European theater of operations is flourishing. In fact, I think Europe may be the biggest opportunity we have in this company. And Europe was up 71% when you compare versus 2019, 71%. Of course, rest of the world also grew nicely. So you need to look at TTI, not as a U.S. or a North American company, but as a global company that is growing like crazy beyond the shores of the U.S.A.

I am delighted to report that our Floor Care business contributed nicely to our first half this year. Floor Care was up 25.3%, that's global Floor Care. It's a direct result of a lot of hard work and a lot of new products we've launched in the fiercely competitive floor care market. But when you take Floor Care out, you have to remember that Power Equipment, our tool business, grew even more impressively, actually up 55%. All in all, it's pretty astounding to look at what this company was able to deliver in the first half of 2021.

When you look at our P&L, you see not only sales exploded up 52%, but gross margin improved yet another 58 basis points. We invested some of that gross margin as our strategy. As we've stated consistently with our strategy, we've invested some of that back in strategic SG&A. Our profit grew at a faster rate than sales. On the EBIT line, we were up 57.4%, and our net profit up a cool 57.9% in the first half of 2021.

One of the things that we obsess over in this company is our gross margin improvement. We believe it's critical that we outgrow the market on the top line while we continue to improve gross margin at a pace of roughly 50 basis points a year. And actually, we exceeded that target in the first half growing gross margin 58 basis points while we grew.

What this tells you is that the market share we're capturing, and believe me, we're capturing a lot is not a result of us cutting price and denigrating the quality of our brands or our products in the minds of the consumer. We are growing at premium prices and growing like crazy because our products are demonstrably superior to our competitors. We have technological advantages that no one else has, and it's -- you can clearly see that in a company that's growing at this rate with gross margins consistently improving.

And in fact, to talk about consistently improving, we have now improved gross margin in the first half 13 consecutive years. Can you imagine, 13 consecutive years, we've gone up on average 50 basis points a year in terms of gross margin. This is essential for our strategy because we take some of that gross margin improvement, and we invest it right back into what we call strategic SG&A. So make no mistake, we are ruthless about squeezing nonstrategic SG&A, unnecessary overhead, administrative overhead. We squeeze it like crazy, and we did again in the first half, where we were down 8 basis points.

But in the strategic SG&A area, we invest like crazy into new products, new geographic expansion opportunities, more sales coverage, marketing, whatever we -- and user conversion. When we identify strategic areas of investment, we take some of that gross margin improvement and we invest it right back into our future. And this bodes well for TTI over the next -- over the back half of this year, over the next 5 years, over the next decade because these investments are going to pay off like crazy in the months and years to come.

And if you look at our working capital in the first half, you clearly see a very different strategy than many of our competitors. We actually have weaponized inventory. We believe that -- we believe strongly in our ability to grow this company as we go forward. And that's why we have built high levels of inventory so that we position TTI to grow, continue to outgrow the market in the back half of 2021 and on into 2022 and beyond.

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So yes, we added 34 days of inventory. We had 136 days of inventory finishing up in the half. And that's exactly what we planned so that we would be in a position to take more market share and serve our customers around the world.

At the same time, our marketing sales companies globally have been incredibly disciplined in managing receivables. That's why we have virtually no bad debt in this company. Our days receivables actually went down from 65 last year in the first half down to 56 days this year. And we -- one of the reasons is we just -- we don't go into countries where there's high risk, bad debt risk. We are very, very careful and disciplined about this. Because anybody can book a sale, but if you don't collect the money, it really is not a sale, and it shows up later. So we're -- as you can see, our team is doing a great job with this.

And -- when you look at payables, what our payables performance shows you, and we were up from 109 to 125 days payable. So we're paying our suppliers in 125 days. And this shows you that our suppliers are working very closely with us to enable us to build the inventory we need to continue to capture market share and grow this company well above the market. And we're very grateful for our supplier partners. We work very closely with them. We've grown with our suppliers years and years and years now in a way that is -- it bodes well for both TTI and the supplier base.

So -- and yes, working capital as a percent of sales still finished under our goal of 20%. And we did it the right way. We don't cut inventory off in the middle of June so that we can impress Wall Street and investors with a lower days of inventory. We are building this company to win in the market. And we still had outstanding working capital as a percent of sales.

Okay. One of the things I mentioned upfront is TTI is excited to embrace ESG as a corporate obsession. We -- you will see we are maniacally focused on being a global world-class leader when it comes to ESG. We are -- we have many, many initiatives in the company that we've embarked on that will help us achieve and exceed world-class standards in ESG. You will see many examples as I go through this update in terms of the products, the disruptive products we're introducing that will allow us to help save this planet and put the society in a better place.

But let me give you a big example. So we are going to be the global leader in battery-powered lithium mowers, whether it's riding mowers or push mowers, and we decided to build our battery lawn mower factory in the United States so that we wouldn't have the ocean freight issues that are a very bad thing for sustainability.

And we also think just building our product close to market is the right thing to do. This is a real live ESG example. And we have dozens and dozens and dozens of examples that we'll share with you as time goes on here as we roll out our ESG initiative. But you should feel free to ask questions and follow up with us. Many of you want to discuss ESG, and we would love to share with you why we are so far ahead of our competitors here, that this will be yet another advantage TTI has versus the market competitors that we go up against.

Okay. Let's shift gears to talk about MILWAUKEE. It's hard not to be impressed with our global MILWAUKEE team here at TTI. MILWAUKEE grew 64.1% in the first half. Can you imagine, 64% in the first 6 months of this year. We -- and contrary to what our largest competitor suggested a couple of weeks ago, we -- yes, we're doing a great job in North America. That part our competitors got it right. But Europe was up 90% in the first half this year in MILWAUKEE, 90%, which ought to dispel this notion that we're not strong outside the U.S. and Canada. And of course, rest of the world was up 58%, which is not bad.

We're very proud of the global build-out our MILWAUKEE team has put in place, and we intend to aggressively take market share in the pro market around the world, not just in the back half, but for many, many years to come.

MILWAUKEE is pursuing -- aggressively pursuing a disruptive strategy of converting legacy power sources to clean lithium battery-powered tools. And their 3 areas of attack here are all areas that really were created in World War II. These are World War II era technologies that we are now attacking and we intend to launch this global revolution away from these traditional power sources, which are not good for the environment and into battery-powered lithium.

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So the first power source that we're going after is the corded tool. Yes, the corded plug-in-the-wall AC tool is still in the professional arena. It's still a massive part of the market. In fact, this is an example, this chop saw. 99% of all these chop saws around the world are still corded, 99%. And there's so much opportunity in front of us to convert just the corded power tool to battery-powered tools.

And we are on the vanguard of this revolution, and we intend to be very aggressive about liberating people from these dangerous cords where there's electrocution risk and all kind of other factors that inhibit productivity on job sites. So we intend to move people to clean lithium-powered products.

This chop saw is an amazing product. This will actually cut with the same power speed, torque as a corded version. And the life is actually longer on our cordless, on our battery-powered chop saw than traditional units. So this is yet another example of the many, many different corded products that exist on job sites today that we intend to make cordless.

Let me give you another example. This is a more striking, more crazy example of how much opportunity there is in front of us. So the nailer, everyone has seen that the residential construction arena globally has grown nicely, and we believe that res con will continue to grow here over the next 3 to 5 years. So if you are a residential construction contractor, you need a device called a nailer. The nailers are used, of course, to fire a nail through 2 pieces of wood to attach them together to frame a house.

So believe it or not, the technology that's ubiquitous today on job sites all over the world is the pneumatic air nailer. And now what you think about this? In 1944, Howard Hughes actually hired an engineer to help him build his Spruce Goose wooden aircraft. And this engineer came up with the idea of a pneumatic nailer instead of a manual version. And so we're talking about technology. It's 75 years old that's still present everywhere on job sites.

And when you have a pneumatic nailer, it's not -- you don't just have a nailer, you have to have a nailer that attaches to a hose where you have the compressed air to fire the nail. The hose, which is long unwieldy and heavy, connects to a gas-powered compressor. So you have to pull the cord on a gas compressor, which creates a generation -- generates electricity, which compresses air with a pump device in a compressor and then fires the air through the nailer.

And of course, you need your trusty gas can because those trips to the Exxon station are requirement all throughout the day as you're framing houses. So can you imagine this technology is World War II vintage. The noise level of this technology is deafening. We have literally noise ordinances and are trying to control this stuff. And the fumes and the maintenance required and just the weight -- the sheer weight of driving these things around is madness. So we are leading this revolution through cordless nailers.

This is -- the product on the right is our latest introduction. It's a framing nailer, it's selling like crazy. And we intend to be the global leader in noncompressor powered, non-pneumatic nailers. These are lithium battery-powered nailers, there's no gas cartridge. They're just clean burnings, ultra-quiet nailers that will revolutionize the way contractors build houses. So we're going after the AC market. We're going after the pneumatic market. And of course, we're going after the petrol or the gas market.

MILWAUKEE will be our brand that targets the professional landscaper, and this is a massive opportunity. Today this market is largely gas and petrol, believe it or not. And in MILWAUKEE, we won't make the mistake of having any gas products under this brand. MILWAUKEE will be pure lithium battery-powered cordless.

And just think about this for a second. You have products here, like a chainsaw, where historically, if you're using a chainsaw and you're doing any kind of trim work, you have literally the gas engine in your face and you fire these things up and you have the fumes coming at you along with the other debris. And so every time we develop a cordless version to eradicate this gas nightmare, it enhances productivity. It's great for sustainability. And it's really cool to use. I mean this is a one-handed chainsaw that will outcut a gas equivalent. And for the pro landscaper, this is a real breakthrough.

Now we have -- in the MILWAUKEE family, we have a roadmap of a number of high-performance battery-powered lithium battery products. Next year, in fact, we will launch a lawn mower, a MILWAUKEE-branded lawn mower that's a battery powered. This lawn mower not only will blow away any of the battery mowers

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that are in the market today, but it will actually outcut, outperform the gas mowers, the best ones we've tested all over the planet. We'll roll this out this year. And I think we intend to see MILWAUKEE on a vanguard of this -- against this once-in-a-generation revolution stampede away from filthy gas polluting power sources to clean-burning cordless.

Today, we are the global leader in full-size cordless, pro cordless with MILWAUKEE M18, our full-size cordless system. This slide does misleading because in 3 years, you will see double the amount of cordless products on this slide. I have to get -- we have to shrink the tools down to a smaller size. We have so many new products in the pipeline that will blow your mind. And the idea here is to get people away from the cord, the pneumatic hose, the petrol, the hydraulic products are still in use and to liberate the professional user into something that makes sense for not only for their productivity, but for ESG for sustainability.

MILWAUKEE is already the global leader in subcompact cordless. Subcompact is critical because you have -- in full-size cordless, you have power and run-time concerns. But in many cases, because our technology is so advanced and our electronics are so advanced, we're able to miniaturize or to shrink up our product and make it much lighter and smaller and easier to use, less unwieldy. And this is creating a massive opportunity for us with a professional user.

Let me give us a latest example, give you the latest example here. This is our brand-new revolutionary subcompact blower. This little device is actually a super powerful blower for job site cleanup in tight places, in high places, et cetera. And as we develop this, the end user reaction to this is unbelievable. People can't -- they can't believe the power and the convenience of a blower that's literally one-handed and super compact. But we think subcompact is a vast opportunity, and this is a complementary range to full size. So many end users, many pros will buy a whole fleet of full-size cordless products, but they complement it with a subcompact line. And we have a lot of these subcompact products that will end up in their fleet.

Here's another really cool product. This is a -- we think the automotive aftermarket and the whole transportation arena is massive. Right now, it's very difficult to buy a used car almost in any country. You can't rent cars. You can't buy used cars. Cars are scarce. And so people are repairing cars at record levels. This is a big opportunity for DIY and pro. One of the many products we have for this transportation arena is this really cool underbody work light.

So this device actually has 2 magnets. One magnet here is what you attach to the bottom of a car or truck or whatever the work surface is. And then the other magnet is on the side. And so as you remove a lug bat or a bolt, you can -- instead of it dropping on the floor into a greasy bucket, you just stick it right here in the magnet and you can control this work activity. So as we showed users this sample, they didn't want to give it back. The auto mechanics just fell in love with the idea of this. And remember, it's the same battery we have in all of our other subcompact products.

So let's just say, we think the subcompact family of MILWAUKEE has vast, vast opportunity for growth. By shrinking down traditional power tools into these smaller sizes, we made tools safer, we make them less unwieldy. You enhance productivity in many, many ways. And it expands the market because many users are saying now they want a full-size product and a subcompact product for those applications where size and weight matters.

Our MX cordless equipment series is flourishing around the world today. This is the first ever line of equipment. This is real live equipment that's not powered by gas or pneumatic compressors, et cetera. We are launching a brand-new backpack vibrator. This is to -- for the commercial contractor, the concrete, the masonry market. So that you're able to pour super smooth concrete surfaces, whether it's for roads, bridges, what have you. And with the infrastructure boom that we're about to see globally, this product is just in time and it's exactly what the user looking for in.

So this vibrator will gives us an expanded fleet of MX equipment products. And you have to remember, most of these equipment products today are powered by gas, which is terrible for a job site. And try to use a gas cutter saw indoors to do masonry work, it's madness because the fumes and the noise is deafening. So we have a more quiet, much cleaner range here of equipment. We expect this to be a multibillion-dollar

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platform for the company long-term, and we're enormously excited about the reaction we're getting from the end users as we share with them the MX FUEL series.

Okay. So shifting gears in MILWAUKEE, our MILWAUKEE accessory business is flourishing. We are rapidly expanding our MILWAUKEE accessory line with one new leadership breakthrough product after another. This will be a $1 billion platform on its way to $2 billion long term. We are incredibly excited about the management team we've assembled here and the new product ideas we have here in accessories. It's just -- this is another great way to enhance the performance of cordless products. Because if you design the write accessory, these accessories will allow the tool actually to have longer run-time and extended battery life. And that's the obsession in our company, is to try and make the cordless experience better and better every year and far better than AC or pneumatic or gas.

We also find that the mechanics hand tool market globally is vast, full of vulnerable competitors, and we intend to attack this market aggressively. So mechanics hand tools are used in 2 main areas. One is the transportation arena, whether you're repairing a submarine, a plane, a boat, a car, a motorcycle, a dump truck, a bulldozer or in the construction side, where you're assembling buildings or factories and these mechanicals hand tools are pervasive in these applications. And we have a mechanics hand tool line that many professionals prefer over the incumbent lines today. And we're going to expand this range aggressively here as we go forward into second half of this year and on into the next 3 years.

Our PACKOUT storage system has created this cult-like following. So you can't believe what's happened with professional users when it comes to storage. People today view PACKOUT as a superior solution for mobile storage, also for stationary storage. And in terms of vehicular storage, as in your van or your pickup truck, the PACKOUT system is a perfect way to store your tools, accessories and fasteners and other things you would need on a job site.

And in order to propagate the system even further, we're launching a series of new PACKOUT products this year. This rolling chest is a super cool way to store large, heavier cordless power tools. We have these deep organizers we're launching now, so whatever materials or tools you have that require more depth, this will provide that opportunity.

And there are dozens and dozens of additional PACKOUT storage solutions that we're adding to the system. Remember, all these PACKOUT products interconnect so an end user can configure his or her ideal storage solution, whether it's mobile, vehicular or stationary storage. And we expect PACKOUT to be another $1 billion plus on a way to $2 billion long-term opportunity for MILWAUKEE and for TTI.

Safety equipment, job site safety is growing in terms of popularity and in terms of government support and requirements. The OSHA's of the world, Occupational Safety and Health Association organizations around the world they police job site safety are insisting on better and better PP&E products, personal protective equipment products. This has nothing to do with the virus. This is a trend that will continue it's continuing, it's -- this trend is growing like crazy in Europe and North America. But all throughout Asia, you're seeing more and more focus on job site safety.

So we have pioneered a unique range of hard hats that we actually make in USA. These hard hats are loaded with features you can customize based on your application. And these hard hats will be the cornerstone of a full range of personal protective equipment that we will roll out under the MILWAUKEE brand. We have begun launching some of these products and the reaction in the market has been incredible. And this will be yet another multibillion-dollar platform in our company as time goes on.

We think there's so much room to improve job site safety, which is the right thing to do. It's a great business, but it's the right thing to do to protect the workers who use our products and really demand to have a safer work environments in the future.

Okay. So look, let me shift gears and talk about RYOBI for a bit. There's a couple of comments here that I have to clear up. Our largest competitor did suggest 2 weeks ago, they stated that they have a DIY brand that's a better brand than RYOBI. And this is, of course, absurd. RYOBI is 3x the size of this brand that our competitors are referring to. And RYOBI is a global brand, the competitive brand is in 2 countries. And our people that run RYOBI around the world were quite upset about this misinformation. In fact, they asked

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me to show you this video that they put together just to show the globality and the scope of the RYOBI brand around the world.

[Presentation]

Joseph Galli
CEO & Executive Director

Okay. So look, we are very fortunate, and we have an outstanding team of RYOBI product managers, sales executives, logistics people, et cetera, around the world. And make no mistake, RYOBI is the strongest DIY brand in our industry. By far, RYOBI is a brand that has an overarching cordless platform between power tools and outdoor equipment and floor care and cleaning products in many, many other subsets. And we intend to build on that global strength with RYOBI.

The other misinformation that came out a couple of weeks ago is that this whole idea that the DIY market is now flattened out, while the pro market is the only market that's growing. This is, of course, highly inaccurate. The DIY market has massive opportunity in cordless. Of course, the gas DIY market is shrinking. The AC market is down and so is pneumatic. But the cordless DIY market, we think, has all kinds of potential.

And one of the things that we work on at TTI is creating the newly minted do-it-yourselfer. So many people are first-time homeowners. They're finally -- they're graduating from university or they're moving into the workforce. And these newly-minted homeowners can become newly-minted DIYers if you show them the right opportunities and the right ideas. And that's exactly what we're doing.

For example, as I mentioned earlier, the automotive aftermarket right now is growing like crazy because there's such a dearth of used cars and new cars, et cetera. And people have rediscovered the notion of repairing the car. In the old days, we used to call these people shadetree mechanics. But make no mistake, the DIYer is spending a lot of time and money, repairing cars, trucks, et cetera. And RYOBI is uniquely positioned to serve this DIYer in the automotive aftermarket.

For example, this is an extended reach ratchet, which these automotive enthusiasts love. Here is an impact wrench for high-torque applications in the automotive aftermarket arena. Here's a die grinder, which is ideally designed for many automotive applications. And in fact, we have an incredibly exciting line of DIY automotive aftermarket products.

One of my favorite is this little polisher. This is a super lightweight polisher for -- if you want a wax or polish a truck, the car, the camper, the glamper, the motorcycle, boat, trailer, you name it. This is perfect. And of course, the battery pops out of this device and works in all the other DIY automotive products. So we see just the automotive aftermarket alone is an enormous opportunity here that we intend to capitalize on.

But there's also -- the DIY market is also flourishing when it comes to nailers. I mean remember, if you're a newly-minted DIYer or if you're a homeowner and you want to do any kind of work around the house, in the old days, you'd have to get that gas-powered compressor and the hose and all that noise comes from a gas-powered device versus buying a RYOBI, we call AirStrike cordless nailer that's super quiet, super powerful and is selling like crazy today. This is another example where we think we can drive more DIY adoption here in the months and years to come.

We have now introduced 22 new-to-the-world, brand-new high-performance RYOBI DIY brushless products, we call these HP, high-performance brushless. Why? Because we think this is a way for us to catalyze DIY activity. We could show a DIYer that instead of having to hire a contractor or instead of procrastinating not doing a project, you can go to the Home Depot or Bunnings or one of our other global customers. And you can buy the right product for the job, and in fact, attack these DIY projects in your home.

So we do not think that the DIY market in any way is mature. In fact, there's an old saying, "There's no such thing as mature markets. There are only mature managers." And we don't have those here. So we expect to grow this space in the future. Okay.

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Let's now turn to Outdoor, which is something we're very excited about. We think the outdoor arena around the world with the DIY and the landscaper is a massive opportunity to really achieve greatness and sustainability and also convenience and productivity and value. There's just -- there's so many advantages to battery-powered outdoor power equipment versus gas and petrol. It's -- and there's so much upside here, you can't believe it.

So our team did a great job in the first half of this year. We grew 57.8% in battery-powered outdoor equipment. But let me tell you, you ain't seen nothing yet. This is just the beginning. When you see what we have come in over the next 3 years, you'll -- it will be clear that we -- that our quest for great this year in the outdoor market is alive and well.

Now let's remember what's going on around the world today. Take the U.S. In the U.S., California has already introduced legislation proposing that all gas-powered outdoor equipment be outlawed in 2024. Can you imagine that means gas lawn mowers, string trimmers, hedge trimmers, snow blowers, lower vacs, chain saws and all the other gas products that the gas outdoor companies have propagated, they'll be outlawed in California. Once California goes, it is our view that many states will follow suit and try and do their part in this green movement and trying to save the planet.

Now Illinois has got legislation similar to California proposed. And one of the fastest-growing trends we see with municipalities is that municipalities are increasingly sick and tired of the hideous noise you get from a gas blower vac or a gas lawn mower. You get up on Saturday morning and your neighbor starts firing away with that gas blower, and you want to go nuts. And so you have literally municipalities outlawing the use of gas blowers and other gas outdoor power equipment in the U.S. This is going on all over the world. This trend is going to be a stampede. And we are -- believe me, we are going to accelerate the pace in which this happens. We are going to be the disruptors in this space.

So the thing that is -- that we think is a massive opportunity, in addition to eliminating fumes and pollution is to work on noise. So we have pioneered a concept called the Whisper Series. These Whisper products, led by this blower vac here, these are super quiet. Noise pollution is an issue, too. It's not just the fume pollution, but noise pollution is an issue. And these blowers you turn them on, you don't even know they're on. They're super powerful. It's just that our acoustical engineers have really achieved breakthrough level advancements when it comes to controlling noise, not only the decibel level but also the tonality of these things.

Some of these -- the tone of some of these devices are so bad, it's just -- it hurts your ears, you want to buy ear muffs. So we are launching a whole line of Whisper Series outdoor power equipment, all powered by battery, lithium battery, no petrol, no gas. And we think this will contribute to the -- literally the once-in-a-generation revolution that we want to ignite from polluting noisy gas products to clean lithium battery products. This is an incredibly exciting unique development here at TTI.

Additionally, we have established our company as the clear global leader when it comes to battery-powered lithium lawn mowers, whether the mowers are push mowers or riding mowers, we intend to continue to be on the vanguard here in this space, and we will lead the global charge away from gas and corded to lithium battery-powered units. And what's mind-boggling to us is that our largest competitor is literally buying a company now that has over 150 different gas mowers. Can you imagine? Our competitor is going to have 150 lawn mowers powered by gas or petrol engine with all those fumes, all that noise. And all we're doing is going after -- we want to be the Tesla of this space. We are going after the battery-powered versions of these things.

The reaction with our end user and with our retail partners has been phenomenal. And for good reason, it's about time that we eradicate the pollution that comes from these gas lawn mowers all over the world. It's about time. So let me tell you another exciting area that nobody -- none of our competitors ever really admit and talk about. And this is the category of the snow blower.

Now I grew up in Pittsburgh, where it snows a lot. And so I'm very familiar with how dreadfully bad and hideously smelling that the snow blower products are today. So today, snow blowers are largely gas powered. In fact, our largest competitor has over 40, yes, snow blower products 40, yes, different ones, 40. And so we are rolling out -- and let me tell you what happens with the gas snow blower.

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With a gas unit because the mufflers are always located on the top of these products, the fumes come right out at eye level. The fumes mix with the snow. That's why when you use a gas snow blower, the snow goes from white to black. That black is the emissions, the pollution that comes out of a gas snow blower. And believe it or not, snow blowers are like the least regulated gas-powered equipment product you can find. There are no regulations. So the gas manufacturers have gotten away with murder here for a long time.

And if you use one of these, you smell like you just left a coal mine. The pollution combined with the moisture in the air and the snow you're blowing in the ice it all mixes up and it's just a hideous toxic cocktail. And so you end up -- after you clean up the driveway you go in the house, and your family kicks you back out because of the smell. It's -- I mean, this is an awful thing.

So we have developed a range of battery-powered lithium snow blowers. This is our 2-stage units. So this is our high-end unit. It will throw snow over 50 feet, as good as any gas unit. It's much more quiet. There's no cord to pull. Of course, there's no -- you don't have to keep filling that up with gas. And your neighbors will thank you because the noise level on these things are so much better.

This is all part of our ESG movement. We could sell gas snow blowers. We could sell them like all the other competitors do. But we're going to be Tesla here. We are going to pioneer the battery side of this market. And so we have 6 snow removal products we're rolling out this year. And I can tell you, we intend to be leaders here. We will be on the vanguard of battery-powered snow blowers on into the future. So this is yet another example of our obsession here with ESG and with moving people from gas to battery.

Let me give you another cool example. Okay. So this device is called a post hole digger. This is a giant auger that's used. If you're installing a fence around your farm or garden, you use a post hole digger to dig large diameter holes in the ground so that you can install the fence, okay. The problem is most post hole digger that are sold virtually all of them today are gas. And the engine is right at eye level. So when you turn these things on today, the fumes would come right into your face, can you imagine using one of these things all day, you need 3 levels of hazmat suits to protect you from the fumes.

And so we literally have a cordless version, cordless series of these augers, these post hole diggers and these things are -- so these things are super powerful. They're just as fast as gas. They last just as long as gas. They make one -- half the noise or less. There's no maintenance required, and we're selling these things like crazy. We can't believe the reaction here.

But think about it, would you really want those fumes in your face if you're a professional landscaper installing a fence or if you're a DIYer, and you're doing any work in the yard that requires post hole digging, you would love to have this. So there's a lot of opportunity for us to eradicate gas.

Another example, today, pressure washers, which are terrific products for cleaning in and around the house, car, et cetera. Pressure washers are powered either by gas engine or by a cord, AC. Both power sources, of course, should be eliminated. The gas pressure washer especially. But even a corded pressure washer, just think you have all this water with an electric cord. It's unwieldy. It's hard to use. So we are pioneering pressurized power cleaners.

We haven't got to the PSI levels of a pressure washer yet. But we will get there. We are working on a really cool technology here to get rid of the gas engine in the pressure washer over the cord. This product -- this 40-volt power cleaner is a great example. And it works terrific. And you will see us continue to push the envelope here in technology when it comes to using a lithium battery.

So just -- let's put this in perspective. Next year, for 2022, we will launch at TTI 73 new battery-powered outdoor products, 73. We're not out buying a gas lawn mower company. We are pioneering organically developing lithium-powered outdoor equipment that we think will help eradicate this dreadful polluting issue of gas outdoor power equipment.

And let me assure you that this is just the start. Between RYOBI and MILWAUKEE, our attack on gas outdoor power equipment is just beginning. We intend to be global leaders in the pro landscaping arena and in the DIY side with these products that we're launching.

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Okay. Finally, I want to acknowledge our Floor Care team for delivering an impressive first half in 2021. I know many of you have been frustrated with our inability to turn Floor Care into a contributing business where you can be assured that we now have an excellent team globally. We have a great product road in front of us. And we have results. In fact, 25% growth in first half is excellent. And okay, the profit levels are still too low, but we did almost double the profit in the first half of this year. And we are really excited about what we have in our future in Floor Care.

Our carpet washing and formula business is particularly exciting. We are taking market share here. We are developing products that outperform what's on the market today. And we're going to enhance this program with our brand-new spot cleaner series. We'll launch this spot cleaner first. But this spot cleaner element of this carpet washing business is significant. We have -- we participated poorly here at best over the years. And so we now have a leadership product we have more on the way. And this bodes well for our Floor Care business because carpet washing is a significant part of the business. And the formula aftermarket here is a compelling financial contributor to the company.

We also are continuing to push the envelope, once again, on lithium cordless powered cleaning and floor care products, whether it's the Hoover brand, the Vax brand or one of our other brands in Floor Care. We really think that we can get people away from using a cord when it comes to a cleaning product and into cordless in. This is yet another example of that overarching theme in the company where -- we just -- we really believe this whole clean tech notion, this whole ESG notion to pervade every part of our company and Floor Care is no exception. And we're very excited about what's coming here in Floor Care on into the future.

So look, I wish we had another couple of hours for me to share with you more of the highlights that you can expect to see from us in the second half of this year and over the next 5 years. But what the important takeaway here is that -- our future has never been brighter at TTI. No matter what the economy does around the world, no matter how long it takes to eradicate this terrible virus that we've all had to deal with, no matter what the geopolitical issues are that we face, we feel like we -- as Lincoln said, "The best way to predict the future is to create it." And that's exactly what we're doing.

And remember, Teddy Roosevelt said, "One must dare to be great." You have to have the courage to pursue greatness. Greatness is elusive. And if you see how hard our team is working around the world, if you saw the talent level of our engineers, our product development people, our logistics team that performed heroically in the first half and really over the last 18 months, you would see why I'm so enthusiastic about our future.

We're going to have a good second half this year. We will outgrow the market for sure. We will outgrow the market in 2022. We will launch more new products than all of our competitors combined. And we will not fall into the trap of trying to dress up our financial results by adding gas power equipment that's got a short-term future. And it really all its doing is harming our planet.

So we think, like I said upfront, we think greatness in TTI, it will be a function of outstanding continually improving financial results while we achieve greatness in ESG and trying to help the society and this planet get to the right place.

So thank you so much. And by the way, I look forward to the questions from our investor community and all of our analysts. We have no limit on investor questions, so you guys fire away. I can't wait to talk to you after you go through this review. Thank you.

Operator
Thank you for your participation. And this concludes today's interim results announcement analyst and investor webcast. You may now disconnect.

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