

## WALTER MEIER: JET INTERNATIONAL EXPANSION

*Professors Martin Roth, Darla Moore School of Business, and Dominique Turpin prepared this case as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.*

As the westbound plane reached cruising altitude over the Atlantic Ocean, Doug Quackenbos, head of global business development at Walter Meier Manufacturing Inc., began transitioning from his family holiday in Spain to preparing for the upcoming fall 2011 senior management meeting. Charged with growing annual revenues by US\$10 million over the next five years (2012–2017), half of which was to come from Latin America, Quackenbos had undertaken extensive market research to identify the best new international market opportunities for Walter Meier's JET brand of industrial products and metalworking and woodworking machinery. He would have to sell a strategic vision for growth that was not resource intensive – a challenge for a mid-size player in a market filled with a range of regional and national competitors.



Based on what he was about to propose, and against the backdrop of a soft, recessionary global economic environment, Walter Meier's executive team would question the merits of expanding into new emerging markets, the attractiveness of Latin America, and specifically the advantages of entering Brazil. Quackenbos also had to question how such a strategy would shape his future in the next five years. As he started his computer and opened the presentation he had been preparing, he hoped the seven-hour flight to the US would give him sufficient time to begin addressing these questions.

## ***Walter Meier Group***

Walter Meier AG began importing machine tools into Switzerland in 1937. Over the next 40 years, the company expanded into manufacturing and distribution of air humidification and heating systems, primarily through acquisitions. The company's initial public offering and listing on the Swiss stock exchange occurred in 1985.

Headquartered in Schwerzenbach near Zurich, Walter Meier had been led by Silvan G.-R. Meier, the chief executive officer since 2006. Meier was the third generation of the family entrepreneurs, and the organization he oversaw had sales of CHF 642 million and over 1,600 employees operating in 70 countries worldwide at the end of 2011. Key performance indicators for 2007–2011 are shown in ***Exhibit 1***. In addition to operating headquarters in Switzerland and the US, Walter Meier had offices in Taiwan and China with dedicated engineering, quality control and sourcing teams.

The Group was organized into two main divisions: climate technology and manufacturing technology. Each division had two strategic business units: humidification and climate within the climate technology division, and tools and machining solutions in the manufacturing technology division. ***Exhibit 2*** provides an organizational overview of the two divisions in terms of functions and product and geographic markets.

## ***Walter Meier Manufacturing Americas and JET Machinery***

In 1988 Walter Meier Group expanded its manufacturing technology business outside of Switzerland for the first time through the acquisition of Seattle-based JET Equipment & Tools, a US supplier of woodworking and metalworking machines as well as warehouse and material handling equipment. Walter Meier Manufacturing Americas (WMMA), a business unit of the Walter Meier Group within the Manufacturing Technology Division, developed and commercialized a broad and deep range of innovative and quality metalworking and woodworking machinery as well as a well-known range of lifting equipment and material handling equipment under the JET brand (***Exhibit 3*** shows a sample of JET branded products). Based in Nashville, TN, WMMA also developed, marketed and distributed the primarily US-made Wilton brand of market-leading industrial vises and clamps and a growing line of unbreakable sledgehammers for industry, construction and mining applications. ***Exhibit 4*** shows the WMMA organization structure.

While referred to internally as WMMA, the business was known in the market by its most dominant brand, JET Tools. Most products were manufactured in Asia according to detailed company engineering designs, many of which were patented, and according to strict company standards under the close supervision of WMMA engineering and quality control teams. The company focused primarily on small and medium end-user segments, including maintenance and repair operations, with its more advanced machinery products currently just breaking into the CNC (computer numerical control) segment of the market. Distribution in North America was done primarily through specialty distributors, as well as via industry catalog houses, MRO (maintenance repair and operations) specialists, and increasingly via Internet dealers.

Though established in the late 1980s with Walter Meier Group's purchase of JET Equipment & Tools, subsequent acquisitions expanded WMMA's product line and brand portfolio. In 1999 WMMA strengthened its position in the American woodworking business through the acquisition of the premium brand Powermatic, and in 2000, added the leading Wilton brand of industrial vises and clamps to their offering, strengthening its industrial position in the US market.

## ***Walter Meier Manufacturing Global Aspirations***

In addition to WMMA, Walter Meier had other assets in the Tools Group. Global expansion had continued throughout the past decade, including the establishment of JET Russia through a joint-venture partnership. In Europe the acquisition of the Swiss distribution company Tosa and its Toolcraft brand and the acquisition of the French metalworking machinery company Promac expanded its channel coverage and presence in Switzerland and France respectively. Despite the continued global expansion, Switzerland and the US represented the largest markets for Walter Meier's manufactured products, collectively representing over 80% of revenue. Other EU markets accounted for another 15% of revenue, with the remainder coming from a variety of markets.

As head of global business development, Quackenbos reported to the head of the Group Tools Division, Robert R. Romano. Quackenbos's charge was to continue cultivating and leading organic tools growth. As evident from Walter Meier's history of acquisitions, international growth had been somewhat opportunistic. While a number of brands were nested under the Tools Division umbrella, none had global, or even broad regional appeal. JET for example had a strong American heritage and as such enjoyed high brand awareness and reputation in the US and parts of the Americas. Its US legacy was an asset in Russia where customers were often more quality and less price focused than other markets. Similarly, Promac benefitted from its French lineage and its standing in France and other French-speaking markets, but had little presence elsewhere. As Quackenbos explained:

Brand is surely important to our growth, but it's not clear how much brand equity transcends national borders when single customer purchases are as infrequent as they are with stationary machinery and industrial equipment. Strong growth of Internet use and e-tailing by US customers also helps to build the brand virtually across borders in those countries where imports from the US are common, but JET exports to Brazil have been very limited so far.

## ***Metalworking and Woodworking Markets***

Companies in the metalworking manufacturing industry design and produce electric powered stationary machinery used in manufacturing for drilling, milling, cutting, finishing and forming metal products and components. The products and components are subsequently used in other manufactured products or installed as part of the construction and installation trades. Major products include metal cutting and shaping machinery such as lathes, milling machines, saws and drill presses; as well as metal forming equipment such as brakes, metal shears and rolling machines for sheet metal applications.

Manufacturers of electric, stationary woodworking machinery develop products used to create cabinetry, typically for kitchens and bathrooms, as well as furniture and artistic applications such as woodturning for bowls, pens and similar products. Major products include a wide range of saws, sanders, drills, planers, shapers, dust collection and air filtration, dovetailing and mortising machines, lathes, molders and accessories. While practically all of the metalworking machinery is used for professional activities, it is estimated that as much as half of all professional grade woodworking machinery in the US is sold to hobbyist users.

While international industry data was hard to come by, Quackenbos felt that many of the structural characteristics facing US tool manufacturers typified the global metalworking and woodworking industries. Recent reports characterized the industries similarly:

## *Industry Structures<sup>1</sup>*

Characteristics	Metalworking	Woodworking
Life Cycle Stage	Decline	Decline
Revenue Volatility	High	Medium
Capital Intensity	Medium	Low
Industry Assistance	Low	Low
Concentration Level	Low	Low
Regulation Level	Light	Light
Technology Change	Medium	Medium
Barriers to Entry	Low	Medium
Industry Globalization	High	High
Competition Level	Medium	Medium

Quackenbos noted, however, that though the product life cycle was in the decline stage in the US, this was not the case in emerging markets. In both industries, emerging markets were predominantly in the growth stage. As these countries continued to industrialize and become suppliers and consumers of manufactured goods, they in turn became growing markets for manufacturing equipment such as metalworking and woodworking tools. At the same time, both industries were prone to cyclical driven by economic recessions and decreased demand for manufactured goods. For example, during the 2009 global economic recession, constrained industrial production reduced manufacturing activity, which in turn reduced demand for fabricated metal parts and thus the equipment and machinery that manufactured them.

### *Global Metalworking and Woodworking Competition*

The power tool and machinery industries were highly global, in terms of both where products were manufactured and where they were sold and used. Although not exclusively related to JET-type machinery, **Exhibit 5** offers a reliable account of US tool and machinery exports and imports. Noteworthy is that some countries were both major exporters and importers, such as Canada, Germany and Japan, signifying that developed countries neither satisfied all of the demand from locally-manufactured products nor relied exclusively on foreign goods for all tool and machinery needs. Also noteworthy is the high percentage of “other” export and import countries. Collectively, the data demonstrates the high degree of fragmentation in both manufacturing concentration and product demand worldwide.

While the woodworking machinery market was increasingly concentrated in fewer brands and manufacturers, the metalworking machinery industry remained more fragmented, with new suppliers entering less-developed markets opportunistically via low-cost, lower-quality machinery. WMMA had effectively established JET among the leading brands in both

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<sup>1</sup> Sources: McBee, Josh. “Metalworking Machinery Manufacturing in the US.” *IBISWorld Industry Report 33351*, February 2012; Hamilton, Taylor. “Woodworking Machinery Manufacturing in the US.” *IBISWorld Industry Report 33321*, June 2011.

metalworking and woodworking segments in the US market. And, US purchasing power and market preference for quality machinery had made the US distribution base more willing to sell quality products, unlike in the emerging markets, where low-cost alternatives were abundant despite their lower quality and performance standards. Nonetheless, with the acquisition of a first machine, emerging market customers were able to significantly increase productivity and efficiency. Budget realities made lower-cost machinery even more attractive. The challenge for JET was that because these low-cost competitor products were sold for so little, they could often be purchased by the end-user in the market for less than JET could sell them to distributors in the same country. This situation created an unfamiliar scenario, where none of the competitors in the emerging markets were the same as those encountered in the US market.

Within national markets, the competitive landscape took on a local complexion. There were few global brands with a presence in many countries. In contrast, each market often contained a unique set of competitors, many of which were local or regional. Thus, while demand for metal and woodworking products could increasingly be found worldwide, each market had a different mix of competitors vying for distributors' and end-users' attention. This situation contrasted sharply with other industries such as portable power tools in which a set of international brands such as Bosch, DeWalt, and Makita had become global by successfully penetrating markets worldwide.

From a production standpoint, the power tool and machinery industries were much more global in that a very high percentage of product was manufactured in Asia, most notably China and Taiwan.

Companies like Walter Meier had long established manufacturing relationships with suppliers in Asia; however, they did not always enjoy the guarantee of exclusivity. Other companies from outside the region used Asian contract manufacturers opportunistically and sporadically to supply their finished goods, with a container load being a typical minimum requirement. And a growing number of Chinese and Taiwanese companies were producing and exporting their own lines of branded products.

### *International Expansion*

A key challenge for WMMA was how to meet the business development financial objectives through international expansion. Key five-year performance objectives for Latin America were to generate \$5 million in new revenue, 20% annual growth and 10% EBITDA. To accomplish these objectives, Quackenbos felt that WMMA had to focus on large national markets offering sufficient market scale rather than smaller countries that might be growing faster but had less short-term revenue potential.

Smaller developing markets throughout Latin America are attractive in that we can virtually export a business model like JET directly since there is no importer large enough to bring in significant quantities of low-cost direct imports, but the size of these markets and their current dynamics, even for the foreseeable future is limited. The real big win is going to be in the large markets.”

Quackenbos began his analysis of international markets by examining the 15 largest world economies. As shown in **Exhibit 6**, he listed the GDP for each country, whether or not

Walter Meier Group was already marketing tools there, estimated the market size<sup>2</sup> and made an initial assessment of each country's attractiveness. The major unserved markets included China, India, Japan and South Korea in Asia, and Brazil. Japan was viewed as a mature, highly competitive market currently in the throes of a prolonged economic downturn. Thus, it was unattractive despite its economic and market size. South Korea, because of its limited size and scale combined with entrenched competition, was also unattractive.

The remaining three potential new markets represented the BRIC<sup>3</sup> countries, with the exception of Russia, which WMMA had already entered. China was very attractive in terms of market size. However, as the source of most global tool production, it was also the home of extensive low-cost competition. Trademark and other intellectual property protection was also a significant concern in China. Ironic as it seemed, WMMA was not alone in sourcing but not actively selling products in China. India's profile was somewhat different but no less challenging than China's. High price sensitivity limited the potential for high product quality, value-added service providers like WMMA. In addition, distribution channels were relatively under developed in India, adding cost and complexity to supply chain issues, such as inbound logistics and reaching and servicing end users.

That left Brazil as the remaining top 15 global economy not yet served by WMMA.

### ***Target: Brazil***

Brazil, Latin America's largest country in both population and GDP, had a consistently growing economy that had become the world's seventh largest, attracting local and foreign direct investment in industry sectors such as aircraft, automotive, computers, consumer durables, petrochemicals, steel, advanced agribusiness and energy. Furthermore, growth was almost guaranteed for the coming years, as Rio de Janeiro was to be the host of both the World Cup in 2014 and the Olympic Games in 2016.

Nevertheless, Quackenbos noted that Brazil had always been a relative outlier in Latin America. Virtually everything about it was different from the rest of Latin America – from its Portuguese heritage and language to its history of the viceroy system in the early 1800s, which was credited with having allowed the development of the single largest land mass country in South America, despite disparate climates and cultures within the territory. He felt that it was likely this very same large economy and population, undoubtedly aided by history and regional language isolation that had turned Brazil into a more inward-looking country than its neighbors throughout Latin America. All these factors would have significant relevance regarding the competitive environment to be found in Brazil.

Still, given its relative attractiveness, Quackenbos began to explore in more detail the potential for metal and woodworking machinery and warehouse and industrial equipment in Brazil.

To get a better perspective on Brazil within the Latin American context, Quackenbos divided Central and South America into four major economic zones as shown in ***Exhibit 7***. Mexico, a successful emerging market for WMMA, was believed to account for 24% of tool sales in the Latin American region. JET has historically done relatively well in Mexico dating back to the 1990s. The large number of American and European companies with local and

<sup>2</sup> "Served market" denotes market size in manufacturer sales revenues.

<sup>3</sup> BRIC denotes Brazil, Russia, India and China.

drawback<sup>4</sup> operations made the Mexican market more receptive to US products and pricing than some other markets in Latin America. WMMA had also been able to take advantage of the JET brand name among foreign plants in Mexico. Compared to Mexico, Brazil was not as close geographically or in terms of business culture to the US.

The countries encompassing Central America, the Caribbean and the northern section of South America collectively represented about 20% of the regional tool market. Colombia and Venezuela were the largest two countries in the zone, with economies five times or more GDP than the others, yet each was less than a third the size of Mexico. The southern cone region included Argentina, Chile, Peru, Uruguay, Bolivia and Paraguay (listed in descending order of GDP). Of the power tools sold in the region 14% were sold in the southern cone countries. The remaining 43% of regional sales were generated in Brazil.

Given WMMA's success in Mexico, Quackenbos did some initial comparisons between Brazil and Mexico. **Exhibit 8** shows comparisons along a number of dimensions capturing the ease of doing business in each country. The values are rankings, thus lower values indicate higher ranks and therefore more favorable conditions for doing business. Across the board, Mexico appeared to be an easier place to do business than Brazil. Nonetheless, Quackenbos felt that while capturing share might be more challenging in Brazil due to less favorable business conditions, the sheer size of the economy and tools market – twice Mexico's GDP with a 50% larger tool market – made Brazil a potentially lucrative market.

Initial research showed that there were several differences regarding product requirements in Brazil, some potentially significant. One example was the handle configuration on metal lathes, which was commonly positioned on the right side in Brazil and on the left side in the US and the rest of Latin America. Also, accessory interfaces such as chucks for holding cutting tools were metric in Brazil while they were Imperial in the US and other markets. It was unclear if Brazilian users would adapt to these differences or reject standard US products. Thus, sourcing products for Brazil was potentially more complicated than in markets like Mexico because the entire Brazilian market could not be served with just US-designed products and that meant new products would possibly be required.

Distribution and tariff costs were important considerations as well. JET products would most likely be sourced and shipped from WMMA's Asian manufacturing facilities. Products would be loaded onto containers in Asia and shipped to a port of entry in Brazil. Quackenbos estimated that shipping costs would be similar to those WMMA incurred to North America. Tariffs on metalworking and woodworking tools imported into Brazil averaged 10% to 15% of CIF.<sup>5</sup> This compared to 3% to 8% in Mexico and the US respectively. While distribution and tariff costs per unit seemed on par with other served countries in the Americas, shipping products in quantities that were less than a full container would be problematic. Quackenbos reflected:

Cost escalation is a significant problem in Brazil. Partial container shipments from the US warehouse can see landed costs increase dramatically when freight and tariffs are taken into account. Any strategy we undertake has to accommodate full container shipments directly from the source or the economics fall apart.

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<sup>4</sup> Drawback operations refer to assembling products in a country such as Mexico and shipping the products back to the home market.

<sup>5</sup> CIF is an acronym for cost of goods + insurance + freight. At the port of entry, the government collects a tariff on imported goods as a percentage of the value of the goods based on CIF.

While each container might contain a different mix of JET products, Quackenbos estimated that the product value of a typical full container would be about \$40,000, and that a successful business in Brazil would require a minimum of one container shipment per week to begin to achieve critical mass in this size economy and market.

### ***Brazil Market Entry Options***

Both short and long-term objectives had to be considered for a possible entry into Brazil. The previously stated revenue objective – half of the five-year goal of \$10 million in new annual revenue for Latin America equated to \$5 million per year. Given other WMMA business activity and growth potential in the Americas, Brazil would have to generate \$3 million of the annual new revenue by 2017. More long term, successful entry into Brazil would ideally establish a WMMA beachhead for expanding the company's presence in the southern cone. In short, the five-year financial objectives complemented an imperative to "do the right thing when we look back at this 10 years from now."

A key decision point and ultimate success factor was how best to enter the Brazilian market. Quackenbos identified four options:

1. Greenfield company-owned distribution strategy
2. Partner with a Brazilian master distributor
3. Acquire or form a joint venture (JV) with a Brazilian tool distributor
4. Acquire or form a joint venture with a Brazilian tool manufacturer.

The first three options would involve importing JET metalworking and woodworking products into Brazil. The fourth option entailed local production. Each of these is described in more detail.

#### **Greenfield Investment**

One option for WMMA was to establish its own marketing and sales subsidiary in Brazil. The company would invest in establishing and operating the subsidiary from scratch and have 100% ownership and control of the enterprise. The subsidiary would manage all functions beginning with the receipt of inbound JET products shipped in containers to a port of entry in Brazil, warehousing, inventory management, marketing and sales to local distributors, and customer service to distributors and end users. WMMA would have to develop strategies for all of these value-added activities, including hiring, training and retaining personnel. Volume buildup would be slow and incremental as WMMA built the business, but the company would have full ownership and control, including the advantage of maximum flexibility regarding setting transfer pricing for the import of products.

#### **Master Distributor Agreement**

A second option was to partner with a regional or national industrial supplies and machinery company in Brazil. With this approach, the distributor would receive inbound JET products, take ownership of them and move them through their distribution channels to end users. Possible distributors would have to be identified and screened by WMMA, and those deemed viable partners would have to be courted and ultimately the best match consummated into a contractual agreement. Criteria for selecting the right distribution partner included broad distribution coverage in multiple major Brazilian markets (hence a "master" rather than "local")

distributor), existing customer relationships, expertise in metalworking and woodworking products, competency in marketing and brand building, an ability to execute value-added rather than low-price selling, and a willingness to enter into an exclusive agreement with WMMA such that the distributor would not represent competing product lines.

### **Acquire/JV with Local Distributor**

A third importing option entailed forming a joint venture with, or acquiring an existing Brazilian distributor. With this approach, WMMA would have all of the benefits of working with a master distributor and have more control over the distribution strategy and operations. WMMA would have to identify and vet potential distribution partners or acquisition targets, perform due diligence on their operational capabilities, and reach a parsimonious agreement on the investment value. Any potential JV partner would need to qualify for those same criteria as mentioned above for a master distributor. However, one potential variation of such a JV would potentially allow for the establishment of a JET Brazil subsidiary, similar to the Greenfield option, but with the advantage of the support and knowledge of a local partner.

### **Acquire/JV with Local Manufacturer**

The fourth identified option was to acquire or form an alliance with a metal and/or wood machinery manufacturer or even equipment manufacturer. In so doing, WMMA would partially shift its international expansion strategy from Asian exporting to local Brazilian production. The benefits would be eliminating distribution and tariff costs on a portion of its business (i.e. for any locally produced products) and gaining captive distribution expertise. It would also allow for more flexibility regarding transfer pricing of products imported for sale. Ideally, WMMA would find an underperforming brand and/or producer to which it could contribute marketing know-how and manufacturing and supply chain expertise without having to build local production from scratch (greenfield manufacturing). This would require potential partner or target identification, analysis and negotiations.

### ***Decision Time***

A few months earlier, Quackenbos and Romano had discussed the key success factors underlying Walter Meier's successful international market penetration. First, the company tended to do best in small and less-developed economic markets. Related, performance was better in countries in which the served market was geographically small and/or concentrated. Also related, markets in which larger and stronger competitors (in terms of product line breadth, quality, distribution coverage and branding) were not present lent themselves to greater WMMA success. Fourth and more tactically, countries in which Walter Meier established warehouse facilities outperformed those that did not and thus had to accommodate full container shipments to distributors and/or rely on US warehouse shipments from Nashville, adding significant time and cost to delivery. Collectively, these key success factors pointed to the critical need to effectively acquire channel and distribution support. Successful WMMA international markets shared some of these characteristics. What about Brazil?

As the plane began its descent, Quackenbos knew he would face the following questions during his presentation: Is Brazil the right market for JET expansion? Can Brazil generate the \$3 million per year required to meet the annual revenue goal for international business development growth over the next five years? Have the best entry mode options been identified? And which one will chart the best course to success?

**Exhibit 1**  
**Walter Meier Group Five-year Overview, 2007-2011**

In CHF million	2007	2008	2009	2010	2011
<b>INCOME STATEMENT</b>					
Net sales	859.8	806.9	659.0	645.4	641.7
• Humidification	101.9	100.4	87.4	99.6	101.3
• Climate	378.7	375.9	366.5	345.5	333.9
• Tools	281.2	248.8	171.7	161.9	153.8
• Machining Solutions	111.2	97.4	47.2	53.1	64.9
• Inter-segment sales	-13.2	-15.6	-13.8	-14.7	-12.2
EBITDA <sup>1</sup>	64.8	52.0	44.5	64.4	69.4
EBIT <sup>1</sup>	55.0	44.0	31.1	51.1	56.5
in % of net sales	6.4	5.5.	4.7	7.9	8.8
Exceptional effects	15.4	-26.9	-	-	-
Net income	58.1	4.1	22.2	41.2	51.9
<b>BALANCE SHEET</b>					
Total assets	380.3	369.1	337.4	320.6	355.8
Trade receivables	127.0	126.2	92.8	90.2	80.7
Inventories	119.0	129.7	84.2	88.0	98.0
Trade accounts payable	58.5	43.5	36.8	35.0	32.8
Financial liabilities	25.0	65.4	25.4	1.6	2.9
Net liquidity	16.8	-36.3	28.9	45.6	60.7
Equity	172.1	132.0	162.4	170.5	198.0
in % of total assets	45.3	35.8	48.1	53.2	55.6
Return on equity in %	30.8	2.3	14.4	24.5	29.6
Total assets	380.3	369.1	337.4	320.6	355.8
<b>NUMBER OF EMPLOYEES</b>					
Group	1 770	1 650	1 575	1 549	1 627
Humidification	399	384	350	326	432
Climate	802	806	887	895	849
Tools	453	343	227	211	235
Machining Solutions	83	84	70	72	81
Corporate	33	33	41	45	30
<b>SHARE INFORMATION</b>					
Net income in CHF <sup>2</sup>	28.28	2.03	10.37	19.09	25.02
Profit payment in CHF	15.00	2.00	7.00	12.50	12.50
Share Price in CHF	249.00	63.00	92.50	191.50	207.10
Stock market capitalization	555.5	140.5	206.4	427.2	439.5
Number of outstanding shares <sup>3</sup>	2 028 408	2 020 754	2 198 905	2 125 598	2 075 006

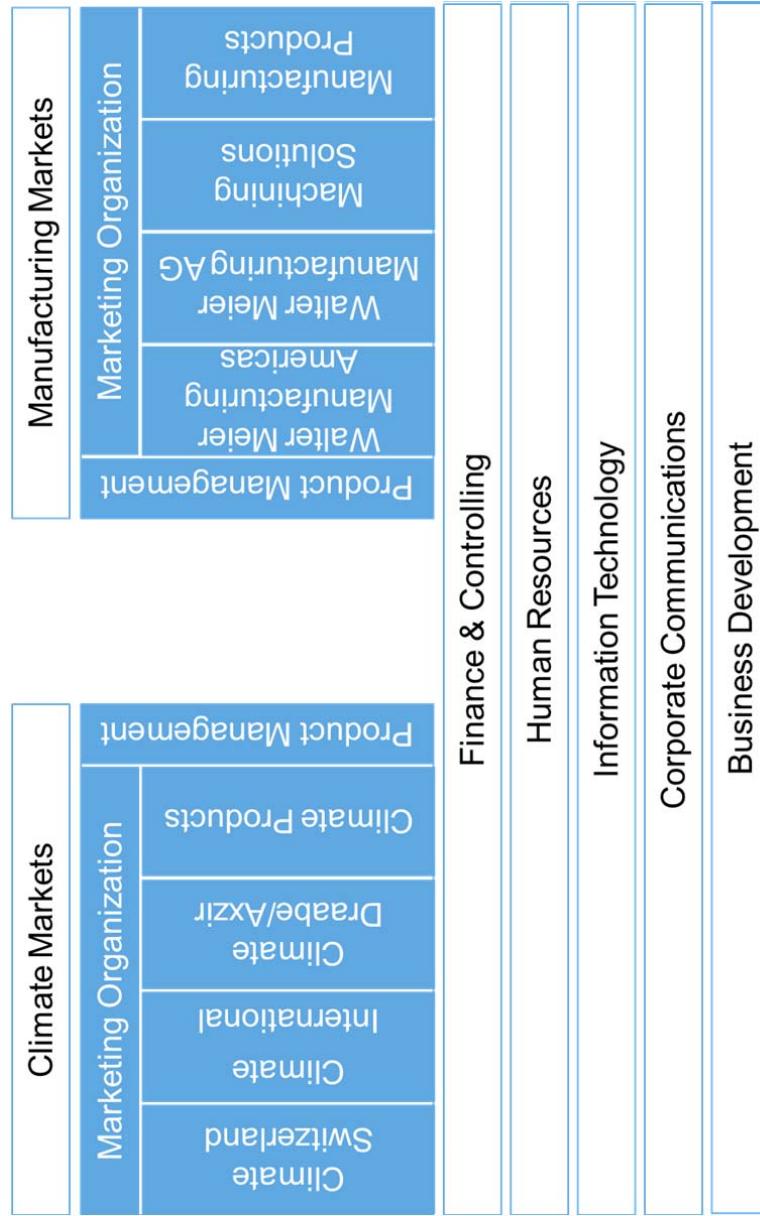
<sup>1</sup> Net of exceptional effects 2007 and 2008.

<sup>2</sup> Based on average of outstanding shares.

<sup>3</sup> Weighted -A- registered shares and -B- registered shares.

Source: Company website <[www.waltermeier.com/ch/group/en/investors/key\\_figures.html](http://www.waltermeier.com/ch/group/en/investors/key_figures.html)> (accessed May 21, 2013).

**Exhibit 2**  
**Walter Meier Group Organizational Overview**



**Exhibit 3**  
**Walter Meier Manufacturing Americas JET Products**

**Metalworking**



**Air and Hand Tools**



**Workholding**



**Material Handling**



**Woodworking**



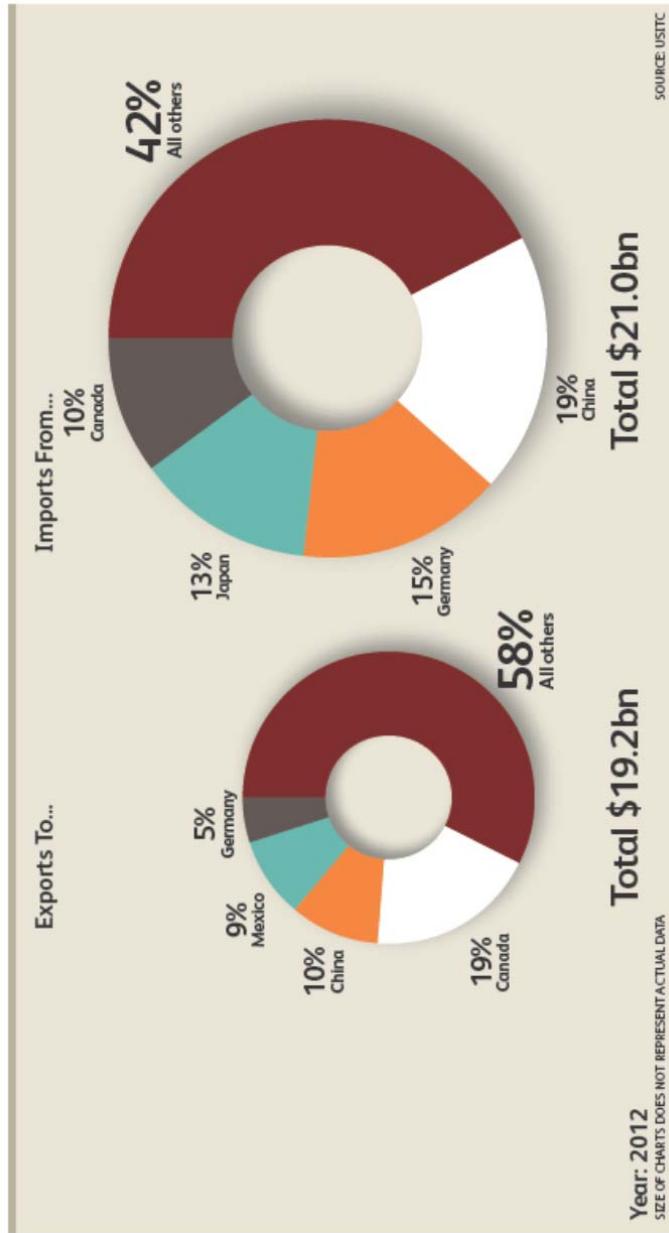
Source: Company records

**Exhibit 4**  
**Walter Meier Manufacturing Americas Organization**



Source: Company records

**Exhibit 5**  
**US Power Tool and General Purpose Machinery Exports and Imports**



Source: McBee, Josh. "Power Tools & Other General Purpose Machinery Manufacturing in the U.S." *IHSWorld Industry Report 33399*, March 2012.

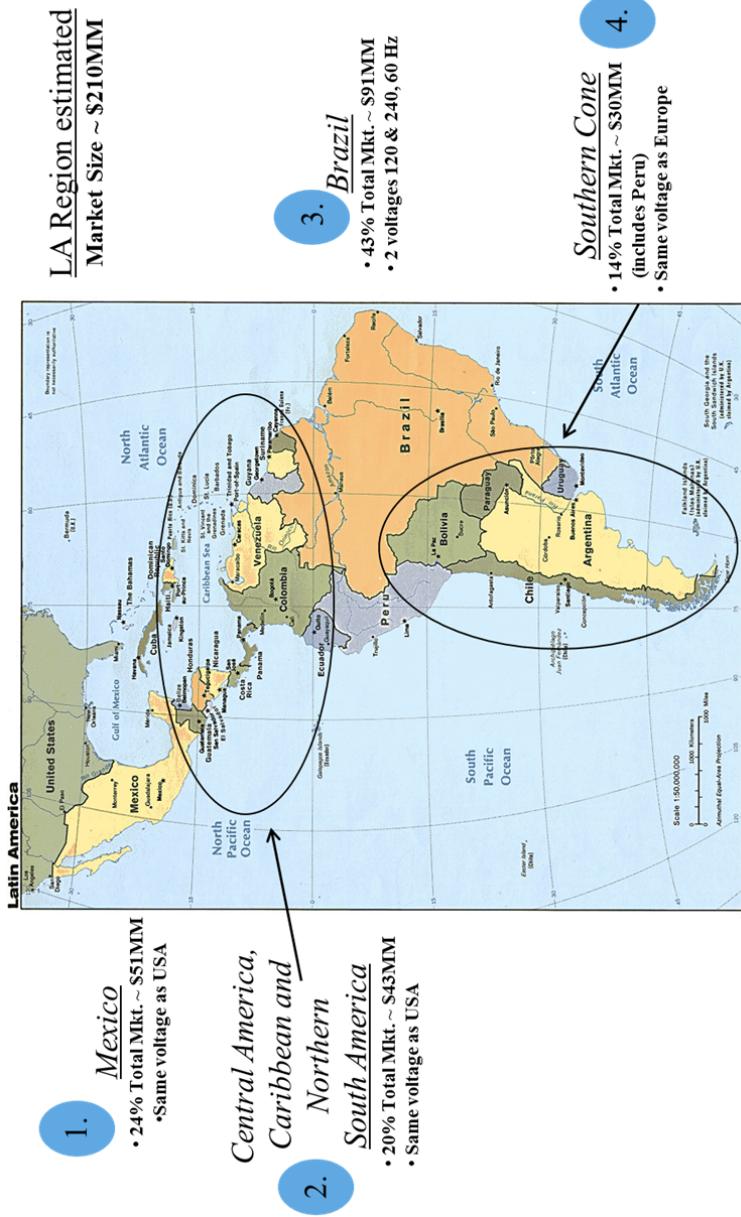
## Exhibit 6

### International Priority Matrix

Country	GDP (Trillions USD-'09)	Status (● entered -- not entered)	Served Mkt. (Est. USD)	Attractiveness (JET Brand)
USA	14.7	●	\$1BB	High - existing
China	5.9	--	\$284MM	Low - low cost competition
Japan	5.5	--	\$289MM	Low - entrenched brand, complex distribution
Germany	3.3	●	\$187MM	Medium- existing
France	2.6	●	\$153MM	Medium - existing
UK	2.2	●	\$125MM	High
Brazil	2.1	--	\$91MM	High
Italy	2.1	●	\$119MM	Medium
Canada	1.6	●	\$14MM	Low - existing
India	1.5	--	\$68MM	Low - price sensitivity, channels
Russia	1.5	●	\$68MM	High - existing
Spain	1.4	●	\$85MM	Medium
Australia	1.2	●	\$65MM	High
Mexico	1.0	●	\$60MM	High
S. Korea	1.0	--	\$45MM	Low - too small

Source: Company records

## Exhibit 7 Latin America – Markets and Regions Overview



Source: Company records. All market-size figures are estimated manufacturer sales revenues.

**Exhibit 8**  
**Ease of Doing Business – Brazil and Mexico**

Topic Rankings	Brazil	Mexico
Starting a Business	128	67
Dealing w/Construction Permits	112	22
Registering Property	122	105
Getting Credit	89	46
Protecting Investors	74	44
Paying Taxes	152	107
Trading across Borders	114	58
Enforcing Contracts	98	81
Closing a Business	132	23
Overall Ranking	127	35
Change vs. Previous Year	-2	+6

Source: 2011 World Bank