



Carlisle Companies Inc (CSL)

Updated April 22th, 2018 by Jonathan Weber

Key Metrics

Current Price:	\$103	5 Year CAGR Estimate:	11.3%	Quality Percentile:	N/A
Fair Value Price:	\$107	5 Year Growth Estimate:	9.2%	Momentum Percentile:	N/A
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	0.7%	Total Return Percentile:	N/A
Dividend Yield:	1.4%	5 Year Price Target	\$151	Valuation Percentile:	N/A

Overview & Current Events

Carlisle Companies is a diversified company that is active in a wide array of niche markets. The branches in which the company produces and sells products include construction materials (roofing, waterproofing, etc.), interconnecting technologies (wires, cables, etc.), fluid technologies, and brake & friction. Carlisle Companies was founded in 1917 and has grown into a company valued at more than \$6 billion.

Carlisle's most recent quarterly results were announced in February. The company reported adjusted EPS of \$1.82 (up 38% year-over-year) and revenues of \$1.1 billion, up 20% year over year. This high growth rate was partially driven by several acquisitions that Carlisle made during 2017: 12% of revenue growth was driven by those acquisitions, but organic sales growth still totaled a very compelling 7.6%.

Growth on a Per-Share Basis

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2023
EPS	\$2.44	\$2.40	\$2.26	\$2.88	\$4.18	\$3.61	\$3.83	\$4.82	\$5.86	\$5.53	\$5.90	\$9.15
DPS	\$0.60	\$0.63	\$0.66	\$0.70	\$0.76	\$0.84	\$0.94	\$1.10	\$1.30	\$1.44	\$1.58	\$2.20

From 2008 to 2017 Carlisle recorded an average annual EPS growth rate of 9.5%, which is a strong result when we account for the fact that the financial crisis happened during that time frame. Carlisle is, despite its rather small size, a company that is very active when it comes to M&A. Carlisle bought four companies during 2017 and sold its foodservice products segment in early 2018. The \$750 million in proceeds will, according to Carlisle, be utilized for organic growth initiatives as well as for more acquisitions. Foodservice products was a low-growth unit, whereas other businesses record much higher growth rates (e.g. brake & friction, which recorded revenue growth of more than 30% during the most recent quarter). Focusing on these higher-growth industries and optimizing the portfolio via M&A accordingly is an opportune move that should be beneficial for Carlisle's growth going forward.

The integration of the companies Carlisle acquired during 2017 and the solid growth from its existing operations will, according to the company's management, lead to mid-teens revenue growth during 2018, which is highly compelling.

Carlisle has increased its dividend annually for more than 40 years in a row, recently the dividend growth rate (five years average) was 14% annually, which is highly attractive. Carlisle also returns a lot of cash to its owners via share repurchases, during 2017 Carlisle bought back five percent of its stock.

Valuation Analysis

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Now	2023
Avg. P/E	12.1	11.2	15.8	14.8	12.5	18.9	21.6	19.6	17.2	18.7	15.9	16.5
Avg. Yld.	2.0%	2.3%	1.8%	1.6%	1.5%	1.2%	1.1%	1.2%	1.3%	1.4%	1.4%	1.8%

Carlisle is a high-quality company that is generating compelling growth rates, but nevertheless shares have usually not traded at a very high valuation. During the last decade average annual P/E ratios ranged from 11 to 22, right now Carlisle is valued almost exactly in line with the ten-year average. Compared to the broad market, which got significantly more expensive over the last years, Carlisle looks attractively valued right here.

The company's dividend yield of 1.4% is not overly high relative to its historic average, nor to the broad market. The high dividend growth rate over the last couple of years is compelling though, and should push the dividend yield shares are trading at up further (a trend that started a couple of years ago).

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2023
GP/A	28.4%	25.7%	20.9%	18.5%	22.3%	21.5%	21.8%	25.6%	29.2%	21.7%	24.0%	25.0%
Debt/A	28.4%	47.1%	36.6%	52.2%	48.3%	43.3%	41.2%	40.6%	37.8%	52.3%	51.0%	50.0%
Int. Cov.	6.7	23.6	23.7	12.7	14.6	10.9	12.7	14.8	14.5	15.0	15.0	15.0
Payout	24.6%	26.3%	29.2%	24.3%	18.2%	23.3%	24.5%	22.8%	22.2%	26.0%	26.8%	24.0%
Std. Dev.	50.4%	39.3%	30.1%	43.4%	28.4%	17.2%	20.1%	22.1%	19.3%	17.5%	19.0%	21.0%

Carlisle produces a solid amount of gross profits relative to the assets the company possesses, especially when we factor in that Carlisle, as a manufacturing company, requires significant assets. The company does have a debt to assets ratio of roughly 50%, which is not especially low, but Carlisle's interest coverage is very strong.

As an industrial Carlisle's results are somewhat cyclical, but the company managed to remain highly profitable during the last financial crisis (EPS dropped by about ten percent from 2008 to 2010). Carlisle is active in niche markets where it has a strong market position, despite its rather small size. The company's approach of growing its presence organically as well as via acquisitions allows for improving scale as the company gets bigger, which brings benefits such as operating leverage and more efficient purchasing. With more M&A to come Carlisle's already strong position in the niche markets the company services should thus improve further as those industries are consolidated by Carlisle.

Final Thoughts & Recommendation

Carlisle is a high-quality industrial company that is focused on high-growth niche markets where its market presence is continuously expanded via takeovers of smaller peers. Carlisle has a strong growth outlook and is nevertheless trading at an inexpensive valuation. The combination of these factors, together with the dividends the company is paying, provides for a strong total return outlook.

Carlisle does not look like a very compelling choice for those who need income right now, but for total return seekers as well as for dividend growth investors with a long term horizon Carlisle presents a compelling opportunity.

Total Return Breakdown by Year

