



Stanley Black & Decker (SWK)

Updated April 24th, 2019 by Nathan Parsh

Key Metrics

Current Price:	\$146	5 Year CAGR Estimate:	8.2%	Volatility Percentile:	42.4%
Fair Value Price:	\$134	5 Year Growth Estimate:	8.0%	Momentum Percentile:	40.0%
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.6%	Growth Percentile:	75.3%
Dividend Yield:	1.8%	5 Year Price Target	\$198	Valuation Percentile:	40.9%
Dividend Risk Score:	A	Retirement Suitability Score:	B	Total Return Percentile:	48.6%

Overview & Current Events

Stanley Black & Decker is a world leader in power tools, hand tools, and related items. The company holds the top global position in tools and storage sales. Stanley Black & Decker is second in the world in the areas of commercial electronic security and engineered fastening. Stanley Works and Black & Decker merged in 2010 to form the current company. Stanley Works traces its history back to 1843, when Frederick Stanley opened a small shop hardware shop in Connecticut. Black & Decker was founded in Baltimore, MD in 1910 and manufactured the world's first portable power tool. Stanley Black & Decker trades with a market capitalization of \$22 billion, with annual revenues of \$14 billion.

Stanley Black & Decker reported financial results for the first quarter on 4/24/2019. The company earned \$1.42 per share, topping consensus estimates by \$0.31 and improving 2.2% from the previous year. Revenue grew 3.9% to \$3.3 billion, which was \$30 million above expectations.

The company had 5% organic growth during the quarter and acquisitions contributed 3% to growth. Foreign currency translation was a 4% headwind during the quarter. The Tools & Storage segment saw 7% organic growth overall and 11% organic growth in the U.S. The rollout of the Craftsman Brand, which was purchased in March of 2017, and higher prices on other products, were the primary driver of growth in North America. The Industrial segment had 10% revenue growth, but a 3% decline in organic growth. Vehicle production declines and lower system shipments led to a 4% decline in the Engineered Fastening business. This drop in revenue was only partially offset by a 5% increase in the infrastructure business. The Security division had 1% organic growth as higher volumes in automatic doors and healthcare in North America were partially offset by poor market conditions in Sweden and the United Kingdom. Gross margins declined 300 bps year-over-year due to commodity inflation, tariffs and foreign currency translation. Stanley Black & Decker increased its adjusted earnings-per-share guidance for the year to \$8.50 to \$8.70 from \$8.45 to \$8.65.

Growth on a Per-Share Basis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
EPS	\$2.72	\$3.96	\$5.24	\$4.67	\$4.98	\$5.36	\$5.86	\$6.51	\$7.43	\$8.15	\$8.60	\$12.64
DPS	\$1.30	\$1.34	\$1.64	\$1.80	\$1.98	\$2.04	\$2.14	\$2.26	\$2.42	\$2.58	\$2.64	\$3.79
Shares	81	167	170	160	156	157	154	153	154	152	150	145

Stanley Black & Decker has seen earnings-per-share grow at a rate of 8% over the past ten years. Stanley Black & Decker remained profitable over the Great Recession but saw earnings decline 15% in 2008 and 20% in 2009. In the years since, Stanley Black & Decker has generally seen its earnings-per-share rise consistently. We expect the company to continue to grow earnings-per-share at a rate of 8% annually due to organic revenue growth and contributions from acquisitions such as Craftsman.

Stanley Black & Decker has an impressive dividend growth streak. The company has raised its dividend for 50 consecutive years. While shares likely won't have a significantly above average yield, shareholders can reasonably expect that Stanley Black & Decker will continue to pay and raise its dividend each year based on the company's track record. The company most recently raised its dividend by 4.8% on July 18th.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Stanley Black & Decker (SWK)

Updated April 24th, 2019 by Nathan Parsh

Valuation Analysis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Now	2024
Avg. P/E	14.1	14.7	12.9	15.2	16.3	16.2	17.1	17.2	20.5	13.5	17	15.7
Avg. Yld.	3.4%	2.3%	2.4%	2.5%	2.4%	2.3%	2.1%	2.0%	1.7%	2.4%	1.8%	1.9%

Shares of Stanley Black & Decker have increased \$29, or 25%, since our January 22th update. Based on revised earnings guidance, the stock now trades with a P/E of 17. If shares were to revert to their 10-year average P/E of 15.7 by 2024, then valuation would be a 1.6% headwind to annual returns over this time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
Payout	48%	34%	31%	39%	40%	38%	37%	35%	33%	32%	31%	30%

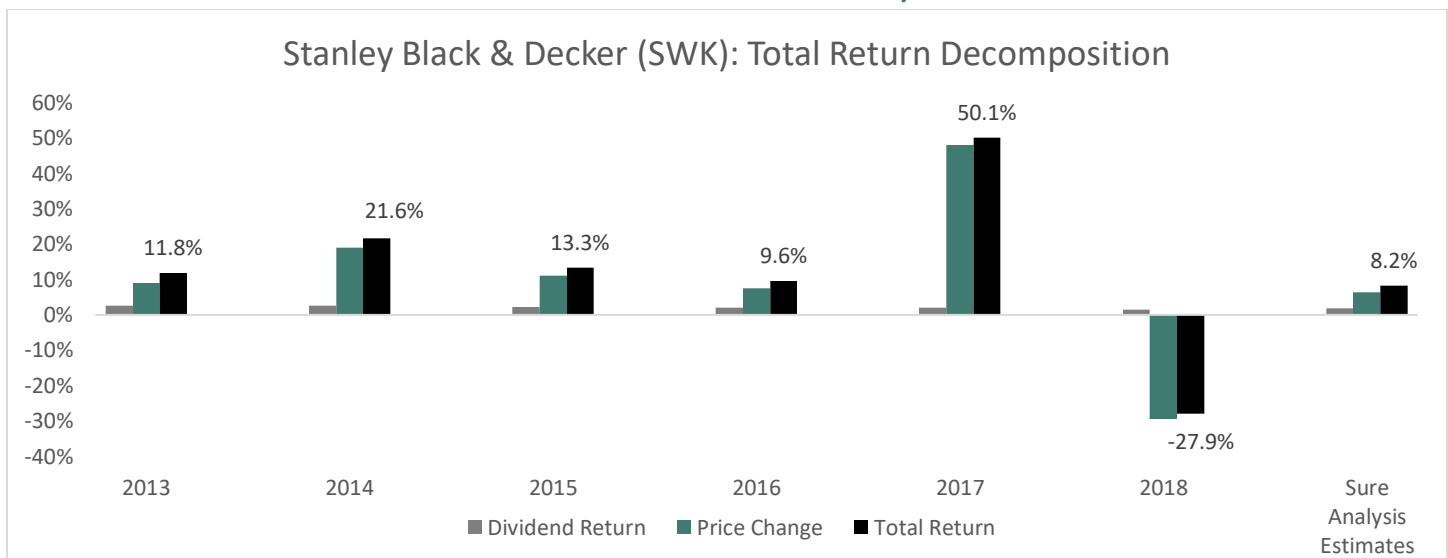
As seen during the 2008/2009-time period, Stanley Black & Decker is not recession proof, but investors who were willing to hold shares of the company from the 2008 lows have seen their shares grow almost 450%. The company's low payout ratio does make it likely that dividends will continue rising even through a serious economic downturn.

Stanley Black & Decker's key competitive advantage is that its products are well-known and respected by customers. This was why the company was able to increase prices in certain product categories and not see a decline in sales. Stanley Black & Decker has also been very active in making strategic acquisitions to help grow the company. For example, adding the Craftsman Brand helped drive double digit organic growth in North America during the first quarter of 2019.

Final Thoughts & Recommendation

Following first quarter results and the price increase since our last update, we now estimate that Stanley Black & Decker can offer a total annual return of 8.2% through 2024, down from 13.1% previously. Even after a 25% increase in value since our last update, Stanley Black & Decker trades just above our fair value estimate. Due to the reduction in expected total return, shares of Stanley Black & Decker earn a hold recommendation from Sure Dividend at this time. We recommend investors interested in owning shares of the company wait until the stock pulls back before purchasing. We have increased our 2024 price target \$1 to \$198 to reflect the increase in earnings guidance for the year.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Stanley Black & Decker (SWK)

Updated April 24th, 2019 by Nathan Parsh

Income Statement Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	3737	7497	9377	10022	10890	11339	11172	11407	12747	13982
Gross Profit	1508	2690	3451	3657	3904	4103	4072	4267	4778	4902
Gross Margin	40.4%	35.9%	36.8%	36.5%	35.8%	36.2%	36.4%	37.4%	37.5%	35.1%
SG&A Exp.	1014	1994	2342	2463	2676	2575	2459	2602	2966	3172
D&A Exp.	200	349	410	445	441	450	414	408	461	507
Operating Profit	385	686	1093	1183	1213	1507	1586	1643	1798	1730
Operating Margin	10.3%	9.2%	11.7%	11.8%	11.1%	13.3%	14.2%	14.4%	14.1%	12.4%
Net Profit	224	198	675	884	490	761	884	965	1226	645
Net Margin	6.0%	2.6%	7.2%	8.8%	4.5%	6.7%	7.9%	8.5%	9.6%	4.6%
Free Cash Flow	446	554	697	593	528	1005	871	1138	976	769
Income Tax	55	18	52	76	69	227	249	261	301	427

Balance Sheet Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Assets	4769	15139	15949	15844	16535	15849	15128	15635	19080	19408
Cash & Equivalents	401	1745	907	716	496	497	465	1132	638	311
Accounts Receivable	518	1412	1345	1329	1366	1205	1165	1137	1422	1608
Inventories	366	1272	1271	1305	1473	1563	1526	1478	2018	2374
Goodwill & Int. Ass.	2595	8814	9382	9947	10600	10027	9626	8994	12284	12441
Total Liabilities	2758	8070	8882	9117	9655	9337	9269	9261	10780	11528
Accounts Payable	410	999	1199	1346	1553	1579	1533	1640	2021	2233
Long-Term Debt	1383	3436	3452	3538	4202	3847	3800	3827	3832	4198
Shareholder's Equity	1986	7017	7004	6667	6799	6429	5812	6367	7547	7876
D/E Ratio	0.70	0.49	0.49	0.53	0.62	0.60	0.65	0.60	0.46	0.53

Profitability & Per Share Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Return on Assets	4.7%	2.0%	4.3%	5.6%	3.0%	4.7%	5.7%	6.3%	7.1%	3.4%
Return on Equity	12.1%	4.4%	9.6%	12.9%	7.3%	11.5%	14.4%	15.9%	17.6%	8.4%
ROIC	6.7%	2.9%	6.4%	8.5%	4.6%	7.1%	8.8%	9.7%	11.0%	5.3%
Shares Out.	80.6	167.2	169.6	160.3	155.6	157.4	153.9	152.6	154	152
Revenue/Share	46.48	49.92	55.12	60.12	68.58	70.98	73.16	76.97	83.62	92.21
FCF/Share	5.55	3.69	4.10	3.56	3.32	6.29	5.70	7.68	6.40	5.07

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.