Carlisle Companies (CSL)

Updated May 23rd, 2019 by Jonathan Weber

Key Metrics

Current Price:	$134	**5 Year CAGR Estimate:**	10.2%	**Volatility Percentile:**	52.4%
Fair Value Price:	$133	**5 Year Growth Estimate:**	9.2%	**Momentum Percentile:**	84.4%
% Fair Value:	101%	**5 Year Valuation Multiple Estimate:**	-0.2%	**Growth Percentile:**	89.9%
Dividend Yield:	1.2%	**5 Year Price Target**	$206	**Valuation Percentile:**	45.8%
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Total Return Percentile:**	54.1%

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 $7.7 billion.

Carlisle Companies reported its first quarter earnings results on April 23. The company reported revenues of $1.08 billion for the first quarter, which was 9.7% more than the revenues that Carlisle Companies generated during the first quarter of the previous year. Carlisle beat the analyst estimate with its revenues. Carlisle Companies' revenue growth was possible thanks to organic revenue growth that totaled 5.9%, which was more than what Carlisle had guided for. On top of that, the company benefited from acquisitions that Carlisle Companies made throughout the last year that added 3.9% to the revenue growth rate. At constant currency rates revenue growth would have been slightly above 10%.

Carlisle Companies generated earnings-per-share of $1.41 during the first quarter, which was 25% more than what the analyst community had forecasted. Carlisle Companies' earnings-per-share were also up by a massive 45% compared to the prior year's quarter, which was possible thanks to a combination of higher revenues, operating leverage, lower taxes, and the impact of share repurchases.

Carlisle bought back $160 million of its own stock during the first quarter, equal to 2.1% of its market capitalization.

Growth on a Per-Share Basis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
EPS	$2.40	$2.26	$2.88	$4.18	$3.61	$3.83	$4.82	$5.86	$5.53	$6.04	***$7.80***	***$12.11***
DPS	$0.63	$0.66	$0.70	$0.76	$0.84	$0.94	$1.10	$1.30	$1.44	$1.54	***$1.68***	***$3.00***
Shares	60	61	62	63	64	65	64	64	62	59	***56***	***48***

From 2009 to 2018, Carlisle recorded an average annual earnings-per-share growth rate of 10.8%, which is a quite strong result. During the last financial crisis Carlisle's earnings-per-share declined only slightly.

Despite its small size, Carlisle is a company that is very active when it comes to M&A. Carlisle sold its foodservice products segment in early 2018 to focus on higher-growth business segments. The $750 million in proceeds were utilized for organic growth initiatives as well as for more acquisitions. Focusing on higher-growth business units such as Brake & Friction, and optimizing the portfolio via tuck-in acquisitions to bolster these segments further, 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 organic growth from its existing operations, led to revenue growth of 19% during 2018. Without any acquisitions Carlisle would not have been able to grow this quickly, though. In 2019 Carlisle has so far deployed another $200 million on acquisitions already. More acquisitions are highly likely during the current calendar year. Thanks to a strong balance sheet and relatively low leverage levels, Carlisle is able to engage in M&A easily.

Carlisle has increased its dividend annually for more than 40 years in a row. Recently the dividend growth rate (five years average) was 13%, which is highly attractive. Carlisle also returns a lot of cash to its owners via share repurchases. During fiscal 2018 Carlisle spent $460 million to repurchase a record 4.4 million shares.

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.

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Valuation Analysis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Now	2024
Avg. P/E	11.2	15.8	14.8	12.5	18.9	21.6	19.6	17.2	18.7	16.7	***17.2***	***17.0***
Avg. Yld.	2.3%	1.8%	1.6%	1.5%	1.2%	1.1%	1.2%	1.3%	1.4%	1.5%	***1.2%***	***1.5%***

Carlisle Companies trades 17.2 times this year's expected earnings right now. This is right in line with our fair value estimate, which is based on the median price to earnings ratio Carlisle Companies has traded at throughout the last decade. Today's shareholders get a low-yielding, but fast-growing, dividend on top of that.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
Payout	26.3%	29.2%	24.3%	18.2%	23.3%	24.5%	22.8%	22.2%	26.0%	25.5%	***21.5%***	***24.8%***

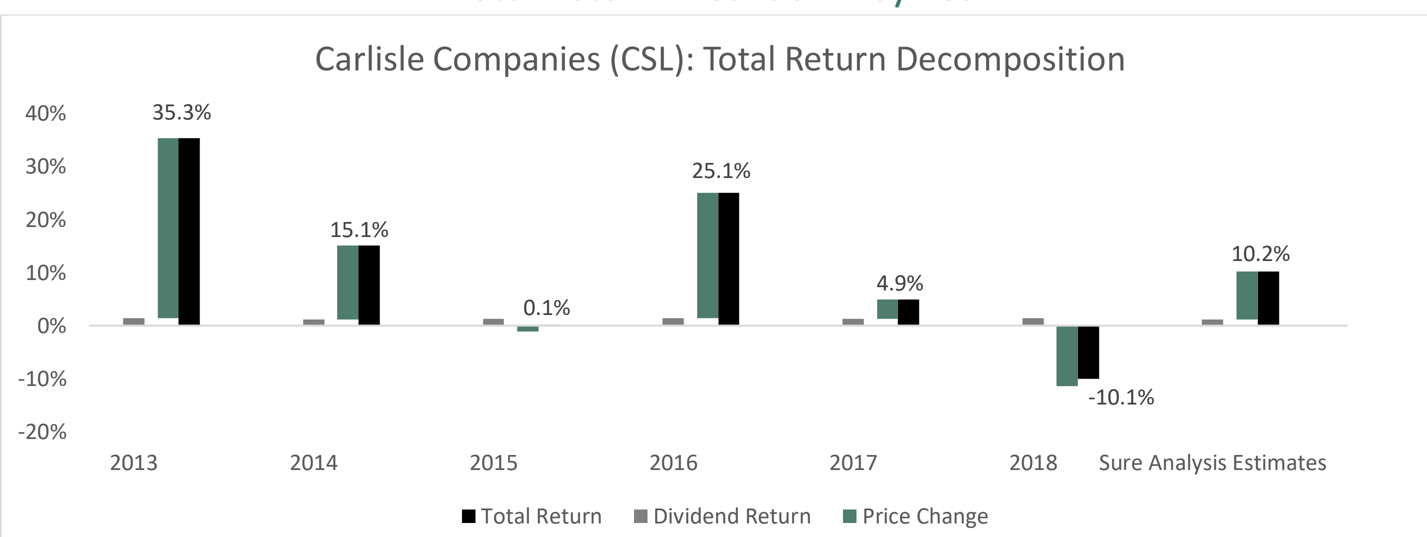
Carlisle Companies has grown its dividend for decades, and the dividend growth rate has been very meaningful over the last decade. The company nevertheless has a relatively low dividend payout ratio, as earnings-per-share growth has been quite meaningful as well during the past. The dividend looks safe, as Carlisle Companies has been able to easily cover its dividend payments, even during the last financial crisis.

As an industrial company, demand for Carlisle's products can be somewhat cyclical, but the company managed to remain highly profitable during the last financial crisis, as profits dropped by just 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.

Final Thoughts & Recommendation

Carlisle Companies is an industrial company that combines a strong earnings and dividend growth track record, a solid outlook, and resilience to recessions, compared to most of its peers. The company is not overly large, but its approach of consolidating its niche industries through M&A while also paying out a lot of cash to its owners, primarily via stock buybacks, will likely deliver solid results going forward. Carlisle's shares trade above fair value, though, which is why we rate Carlisle a hold for now, even though the company looks fundamentally strong.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	2258	2528	2492	2851	2943	3204	3543	3425	3751	4480
Gross Profit	490	529	584	767	746	820	1007	1086	1048	1175
Gross Margin	21.7%	20.9%	23.4%	26.9%	25.3%	25.6%	28.4%	31.7%	27.9%	26.2%
SG&A Exp.	274	311	299	357	354	379	462	495	533	625
D&A Exp.	68	72	88	105	114	104	129	138	169	191
Operating Profit	212	196	266	372	367	408	503	546	464	509
Operating Margin	9.4%	7.8%	10.7%	13.0%	12.5%	12.7%	14.2%	15.9%	12.4%	11.4%
Net Profit	145	146	180	270	210	251	320	250	366	611
Net Margin	6.4%	5.8%	7.2%	9.5%	7.1%	7.8%	9.0%	7.3%	9.7%	13.6%
Free Cash Flow	369	43	112	346	304	177	457	422	299	219
Income Tax	48	57	73	118	98	124	148	148	88	87

Balance Sheet Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Assets	1914	2530	3138	3457	3493	3759	3951	3966	5300	5249
Cash & Equivalents	96	89	75	113	755	731	411	385	378	804
Accounts Receivable	N/A	N/A	493	414	403	444	507	512	626	698
Inventories	338	431	539	325	299	339	356	377	449	458
Goodwill & Int. Ass.	625	965	1324	1474	1439	1576	2022	1953	2517	2410
Total Liabilities	696	1189	1638	1669	1507	1554	1604	1499	2772	2652
Accounts Payable	133	195	261	206	187	198	213	244	332	312
Long-Term Debt	156	474	762	752	751	750	745	596	1586	1588
Shareholder's Equity	1219	1341	1500	1788	1986	2205	2347	2467	2528	2597
D/E Ratio	0.13	0.35	0.51	0.42	0.38	0.34	0.32	0.24	0.63	0.61

Profitability & Per Share Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Return on Assets	7.2%	6.6%	6.4%	8.2%	6.0%	6.9%	8.3%	6.3%	7.9%	11.6%
Return on Equity	12.5%	11.4%	12.7%	16.4%	11.1%	12.0%	14.0%	10.4%	14.6%	23.8%
ROIC	10.1%	9.1%	8.8%	11.3%	7.9%	8.8%	10.6%	8.1%	10.2%	14.7%
Shares Out.	60	61	62	63	64	65	64	64	62	59
Revenue/Share	36.88	41.04	39.88	44.82	45.41	49.06	53.84	52.79	59.02	73.69
FCF/Share	6.03	0.69	1.79	5.43	4.69	2.71	6.95	6.51	4.70	3.59

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