



Carlisle Companies (CSL)

Updated February 6th, 2020 by Jonathan Weber

Key Metrics

Current Price:	\$161	5 Year CAGR Estimate:	7.6%	Market Cap:	\$9.2B
Fair Value Price:	\$156	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	02/19/20
% Fair Value:	104%	5 Year Valuation Multiple Estimate:	-0.7%	Dividend Payment Date:	03/02/20
Dividend Yield:	1.2%	5 Year Price Target	\$218	Years Of Dividend Growth:	42
Dividend Risk Score:	A	Retirement Suitability Score:	C	Last Dividend Increase:	25.0%

Overview & Current Events

Carlisle Companies is a diversified company that is active in a wide array of niche markets. The segments 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 \$9.2 billion.

Carlisle Companies reported its fourth quarter earnings results on February 6. The company reported revenues of \$1.14 billion for the quarter, which was 5.6% more than the revenues that Carlisle Companies generated during the previous year's quarter. Carlisle's revenues were in line with analyst estimates. Carlisle Companies' revenue growth was mainly based on acquisitions that drove its top line higher, whereas organic revenue growth was not a major factor during the quarter, unlike during the recent past. There was a small headwind from forex rates during the quarter.

Carlisle Companies generated earnings-per-share of \$1.81 during the fourth quarter, easily beating the consensus analyst estimate by more than 10%. Carlisle Companies' earnings-per-share growth was driven by higher operating earnings, which rose by a massive 23% year-over-year, while earnings-per-share benefited from Carlisle's share repurchases on top of that. Carlisle's acquisition spree continued during the fourth quarter, as the company completed the acquisition of Providien LLC, a medical device manufacturer, while also announcing an agreement to acquire Fileca. Carlisle's shareholder returns remained at a high level, as the company bought back \$150 million of stock during Q4.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EPS	\$2.26	\$2.88	\$4.18	\$3.61	\$3.83	\$4.82	\$5.86	\$5.53	\$6.04	\$8.21	\$9.15	\$12.83
DPS	\$0.66	\$0.70	\$0.76	\$0.84	\$0.94	\$1.10	\$1.30	\$1.44	\$1.54	\$1.80	\$2.00	\$3.30
Shares¹	61	62	63	64	65	64	64	62	59	57	54	48

From 2009 to 2019, Carlisle recorded an average annual earnings-per-share growth rate of 15%, which is a very 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 such as Brake & Friction. 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. Thanks to several acquisitions, Carlisle managed to grow its revenues substantially in 2018 and 2019. Without any acquisitions Carlisle would not have been able to grow this quickly, but its organic sales growth has historically been solid as well. Thanks to a strong balance sheet and relatively low leverage levels, Carlisle is able to engage in M&A easily, and will most likely continue to do so going forward. Carlisle also returns a lot of cash to its owners via share repurchases, which is beneficial for its earnings-per-share growth.

During 2019 Carlisle has spent about \$500 million on buybacks and dividends, which equates to a shareholder yield of more than 5%, which is a strong result for a high-growth company such as Carlisle.

¹ In Millions

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	15.8	14.8	12.5	18.9	21.6	19.6	17.2	18.7	16.7	19.7	17.6	17.0
Avg. Yld.	1.8%	1.6%	1.5%	1.2%	1.1%	1.2%	1.3%	1.4%	1.5%	1.1%	1.2%	1.5%

Carlisle Companies trades at more than 17 times this year's expected earnings. This is higher than our fair value estimate, which is based on the median price-to-earnings ratio Carlisle Companies has traded at throughout the last decade. Shareholders get a low-yield, but high-growth, dividend with more than 40 years of annual dividend increases.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	29.2%	24.3%	18.2%	23.3%	24.5%	22.8%	22.2%	26.0%	25.5%	21.9%	21.9%	25.7%

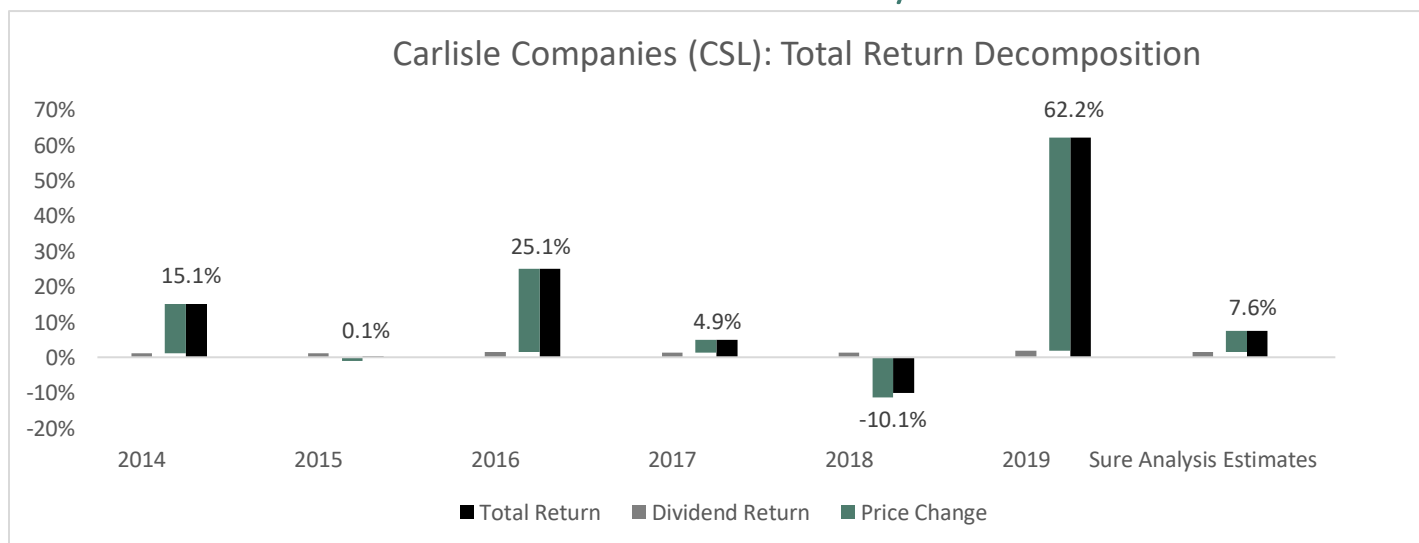
Carlisle Companies has grown its dividend every year for more than four decades, and the dividend growth rate has been very attractive over the last couple of years. The company nevertheless has a relatively low dividend payout ratio, as earnings-per-share growth has been quite strong as well during that time frame. The dividend looks safe, as Carlisle Companies was able to easily cover its dividend payments in the past, even during the last financial crisis.

As an industrial company, demand for Carlisle's products can be somewhat cyclical, but the company still managed to remain highly profitable during the last financial crisis, when 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 a small industrial company that combines many positives, including a strong earnings and dividend growth track record, a solid growth outlook, and relative resilience to recessions. Carlisle's 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 right now, but the total return outlook is not bad for long-term oriented investors, which is why we rate Carlisle a hold.

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.

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