Carlisle Companies (CSL)

Updated April 25th, 2020 by Jonathan Weber

Key Metrics

Current Price:	$118	**5 Year CAGR Estimate:**	10.2%	**Market Cap:**	$6.4B
Fair Value Price:	$128	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	05/19/20
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.6%	**Dividend Payment Date:**	06/02/20
Dividend Yield:	1.7%	**5 Year Price Target**	$179	**Years Of Dividend Growth:**	43
Dividend Risk Score:	A	**Retirement Suitability Score:**	B	**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.

Carlisle Companies reported its first quarter earnings results on April 21. The company reported revenues of $1.03 billion for the quarter, which was 3.7% less than the revenues that Carlisle Companies generated during the previous year's quarter. Carlisle's revenues were slightly below analyst estimates. Carlisle Companies' revenue performance was negatively impacted by lower sales volumes during the quarter, compared to the prior year. A stronger USD also had a negative impact on Carlisle's reported revenues.

Carlisle Companies generated earnings-per-share of $1.09 during the first quarter, easily beating the consensus analyst estimate by $0.07. Carlisle Companies' earnings-per-share nevertheless were down from the previous year's level, mainly due to lower sales volumes, while one-time expenses for the extinguishment of debt also played a role. Carlisle's guidance for 2020 has been withdrawn, due to the yet-unknown impact of the coronavirus crisis, but management has stated that it is still confident about the future. Carlisle's products are deemed essential in all major markets, as they help keep critical infrastructure in place, which is why there will likely not be an overly large impact on Carlisle's operations stemming from the current crisis.

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	***$7.50***	***$10.52***
DPS	$0.66	$0.70	$0.76	$0.84	$0.94	$1.10	$1.30	$1.44	$1.54	$1.80	***$2.00***	***$3.08***
Shares[1]	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 spent about $500 million on buybacks and dividends, which equates to a shareholder yield of well above 5%. For 2020, we only forecast a small decline in earnings-per-share, due to the fact that demand for its products is not very cyclical, showcased by Carlisle's strong recession performance in the past.

[1] In Millions

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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	***15.7***	***17.0***
Avg. Yld.	1.8%	1.6%	1.5%	1.2%	1.1%	1.2%	1.3%	1.4%	1.5%	1.1%	***1.7%***	***1.7%***

Carlisle Companies trades at less than 16 times this year's expected earnings. This is lower 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%	***26.7%***	***29.3%***

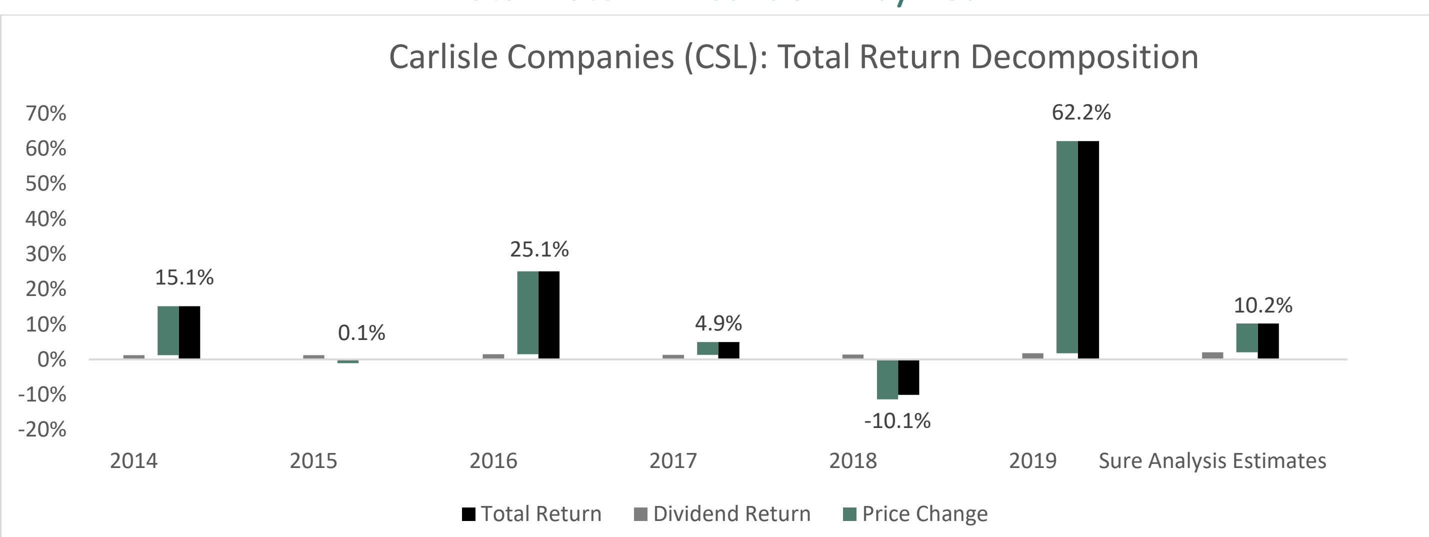
Carlisle Companies has grown its dividend every year for more than four decades, and the dividend growth rate has been very attractive over the last couple of years. The company nevertheless has a relatively low dividend payout ratio, as earnings-per-share growth has been quite strong as well during 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 below fair value right now, and the total return outlook is very solid for long-term oriented investors, which is why we rate Carlisle a buy.

Total Return Breakdown by Year



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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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Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	2,528	2,492	2,851	2,943	3,204	3,543	3,425	3,751	4,480	4,812
Gross Profit	529	584	767	746	820	1,007	1,086	1,048	1,175	1,372
Gross Margin	20.9%	23.4%	26.9%	25.3%	25.6%	28.4%	31.7%	27.9%	26.2%	28.5%
SG&A Exp.	311	299	357	354	379	462	495	533	625	667
D&A Exp.	72	88	105	114	104	129	138	169	191	205
Operating Profit	196	266	372	367	408	503	546	464	509	654
Operating Margin	7.8%	10.7%	13.0%	12.5%	12.7%	14.2%	15.9%	12.4%	11.4%	13.6%
Net Profit	146	180	270	210	251	320	250	366	611	473
Net Margin	5.8%	7.2%	9.5%	7.1%	7.8%	9.0%	7.3%	9.7%	13.6%	9.8%
Free Cash Flow	43	112	346	304	177	457	422	299	219	614
Income Tax	57	73	118	98	124	148	148	88	87	122

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	2,530	3,138	3,457	3,493	3,759	3,951	3,966	5,300	5,249	5,496
Cash & Equivalents	89	75	113	755	731	411	385	378	804	351
Accounts Receivable		486	408	400	439	503	512	626	698	783
Inventories	431	539	325	299	339	356	377	449	458	511
Goodwill & Int. Ass.	965	1,324	1,474	1,439	1,576	2,022	1,953	2,517	2,410	2,857
Total Liabilities	1,189	1,638	1,669	1,507	1,554	1,604	1,499	2,772	2,652	2,853
Accounts Payable	195	261	206	187	198	213	244	332	312	327
Long-Term Debt	474	762	752	751	750	745	596	1,586	1,588	1,592
Shareholder's Equity	1,341	1,500	1,788	1,986	2,205	2,347	2,467	2,528	2,597	2,643
D/E Ratio	0.35	0.51	0.42	0.38	0.34	0.32	0.24	0.63	0.61	0.60

Profitability & Per Share Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets	6.6%	6.4%	8.2%	6.0%	6.9%	8.3%	6.3%	7.9%	11.6%	8.8%
Return on Equity	11.4%	12.7%	16.4%	11.1%	12.0%	14.0%	10.4%	14.6%	23.8%	18.0%
ROIC	9.1%	8.8%	11.3%	7.9%	8.8%	10.6%	8.1%	10.2%	14.7%	11.2%
Shares Out.	61	62	63	64	65	64	64	62	59	57
Revenue/Share	41.04	39.88	44.82	45.41	49.06	53.84	52.79	59.02	73.69	83.61
FCF/Share	0.69	1.79	5.43	4.69	2.71	6.95	6.51	4.70	3.59	10.67

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