



Stanley Black & Decker, Inc. (SWK)

Updated April 30th, 2020 by Nathan Parsh

Key Metrics

Current Price:	\$110	5 Year CAGR Estimate:	8.8%	Market Cap:	\$17 billion
Fair Value Price:	\$102	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	6/2/2020
% Fair Value:	108%	5 Year Valuation Multiple Estimate:	-1.5%	Dividend Payment Date:	6/16/2020
Dividend Yield:	2.5%	5 Year Price Target	\$150	Years Of Dividend Growth:	52
Dividend Risk Score:	A	Retirement Suitability Score:	B	Last Dividend Increase:	4.5%

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 reported first quarter earnings results on 4/30/2020. Adjusted earnings-per-share of \$1.20 beat estimates by \$0.12, but declined 15.5% year-over-year. Revenue declined 6% to \$3.1 billion, which was \$50 million lower than expected.

Organic growth declined 7%. Volumes decreased 8% during the quarter primarily due to the COVID-19 pandemic and currency exchange reduced results by 1%. These headwinds more than offset a 1% improvement in pricing and 2% of acquisition contributions. Organic growth for Tools & Storage decreased 8%, with weakness in all regions. U.S. sales faced a difficult comparison from the rollout of the Craftsman brand last year. Industrial organic sales were lower by 8% due to lower global automotive and industrial production as well as lower attachment tools volumes. Security had flat organic growth, with 2% growth in North America. Healthcare and automatic doors had strong demand, but this was offset by overall weakness in Europe due to consumer restrictions related to the COVID-19 pandemic. Stanley Black & Decker pulled its guidance for the year because of the uncertainty regarding the impact of the ongoing pandemic. Analysts expect earnings-per-share of \$6.51 for the year, down from our previous estimate of \$8.90. Stanley Black & Decker announced a \$1 billion cost reduction plan with \$500 million expected in 2020. Shares were down nearly 10% following the earnings release.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
EPS	\$3.96	\$5.24	\$4.67	\$4.98	\$5.36	\$5.86	\$6.51	\$7.43	\$8.15	\$8.40	\$6.51	\$9.57
DPS	\$1.34	\$1.64	\$1.80	\$1.98	\$2.04	\$2.14	\$2.26	\$2.42	\$2.58	\$2.76	\$2.76	\$4.06
Shares¹	167	170	160	156	157	154	153	154	152	151	151	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, having raised its dividend for 52 consecutive years. While shares likely won't have a significantly above average yield, shareholders can reasonably expect that Stanley Black

¹ Share count 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.



Stanley Black & Decker, Inc. (SWK)

Updated April 30th, 2020 by Nathan Parsh

& 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 4.5% for the 9/17/2019 payment.

Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/E	14.7	12.9	15.2	16.3	16.2	17.1	17.2	20.5	13.5	19.7	16.9	15.7
Avg. Yld.	2.3%	2.4%	2.5%	2.4%	2.3%	2.1%	2.0%	1.7%	2.4%	1.7%	2.5%	2.7%

Shares of Stanley Black & Decker have decreased \$52, or 32%, since our 1/29/2020 update. Based on adjusted earnings-per-share guidance for 2020, the stock now trades with a price-to-earnings ratio, or P/E, of 16.9. If shares were to revert to the 10-year average P/E of 15.7 by 2025, then valuation would be a 1.5% headwind to annual returns over this time. Stanley Black & Decker's stock yields 2.5%, which is higher than the stock's 10-year average yield of 2.2%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

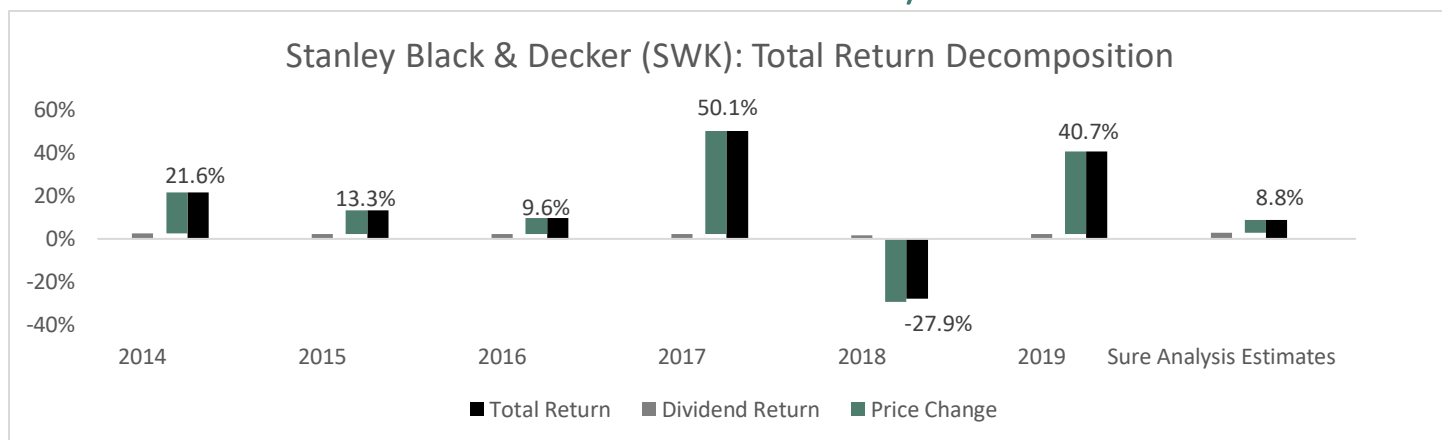
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	34%	31%	39%	40%	38%	37%	35%	33%	32%	33%	42%	42%

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 enormously. 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 organic growth in North America every quarter since the 2017 acquisition.

Final Thoughts & Recommendation

After first quarter results, Stanley Black & Decker is expected to return 8.8% annually through 2025, up from our previous estimate of 6.6%. Stanley Black & Decker suffered a significant decline in earnings and revenue related the COVID-19 pandemic. A tough comparison for the Craftsman brand was also a headwind during the quarter. That said, Stanley Black & Decker's yield is now above its long-term average and shares are as close to our fair value estimate as they have been since in more than a year. We have lowered our 2025 price target \$55 to \$150 due to earnings estimates for the current year. Stanley Black & Decker continues to receive a hold recommendation from Sure Dividend due to projected returns, but we would be buyers of the stock on a slight pullback.

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, Inc. (SWK)

Updated April 30th, 2020 by Nathan Parsh

Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	7497	9377	10022	10890	11339	11172	11594	12967	13982	14442
Gross Profit	2690	3451	3657	3904	4103	4072	4268	4778	4851	4806
Gross Margin	35.9%	36.8%	36.5%	35.8%	36.2%	36.4%	36.8%	36.9%	34.7%	33.3%
SG&A Exp.	1994	2342	2463	2676	2575	2459	2609	2983	3144	3008
D&A Exp.	349	410	445	441	450	414	408	461	507	560
Operating Profit	686	1093	1183	1213	1507	1586	1636	1779	1679	1765
Operating Margin	9.2%	11.7%	11.8%	11.1%	13.3%	14.2%	14.1%	13.7%	12.0%	12.2%
Net Profit	198	675	884	490	761	884	968	1227	605	956
Net Margin	2.6%	7.2%	8.8%	4.5%	6.7%	7.9%	8.3%	9.5%	4.3%	6.6%
Free Cash Flow	554	697	593	528	1005	871	839	226	769	1081
Income Tax	18	52	76	69	227	249	262	301	416	161

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	15139	15949	15844	16535	15849	15128	15635	19098	19408	20597
Cash & Equivalents	1745	907	716	496	497	465	1132	638	289	298
Accounts Receivable	1412	1345	1329	1366	1205	1165	1137	1388	1437	1284
Inventories	1272	1271	1305	1473	1563	1526	1478	2018	2374	2255
Goodwill & Int. Ass.	8814	9382	9947	10600	10027	9626	8994	12284	12441	12860
Total Liabilities	8070	8882	9117	9655	9337	9269	9261	10793	11568	11454
Accounts Payable	999	1199	1346	1553	1579	1533	1640	2021	2233	2088
Long-Term Debt	3436	3452	3538	4202	3847	3800	3827	3811	4198	3517
Shareholder's Equity	7017	7004	6667	6799	6429	5812	6367	7552	7086	7636
D/E Ratio	0.49	0.49	0.53	0.62	0.60	0.65	0.60	0.46	0.54	0.38

Profitability & Per Share Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets	2.0%	4.3%	5.6%	3.0%	4.7%	5.7%	6.3%	7.1%	3.1%	4.8%
Return on Equity	4.4%	9.6%	12.9%	7.3%	11.5%	14.4%	15.9%	17.6%	8.3%	13.0%
ROIC	2.9%	6.4%	8.5%	4.6%	7.1%	8.8%	9.7%	11.0%	5.0%	7.7%
Shares Out.	167	170	160	156	157	154	153	154	152	151
Revenue/Share	49.92	55.12	60.12	68.58	70.98	73.16	78.23	85.06	92.21	95.92
FCF/Share	3.69	4.10	3.56	3.32	6.29	5.70	5.66	1.48	5.07	7.18

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.