Carlisle Companies (CSL)

Updated February 5th, 2021 by Jonathan Weber

Key Metrics

Current Price:	$152	**5 Year CAGR Estimate:**	3.4%	**Market Cap:**	$8B
Fair Value Price:	$119	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	02/18/21
% Fair Value:	128%	**5 Year Valuation Multiple Estimate:**	-4.8%	**Dividend Payment Date:**	03/01/21
Dividend Yield:	1.4%	**5 Year Price Target**	$167	**Years Of Dividend Growth:**	44
Dividend Risk Score:	A	**Retirement Suitability Score:**	B	**Last Dividend Increase:**	5.0%

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 fourth quarter earnings results on February 4th. The company reported revenues of $1.06 billion for the quarter, which was 7% less than the revenues that Carlisle Companies generated during the previous year's quarter. Carlisle's revenues were marginally below analyst estimates. Carlisle Companies' revenue performance was negatively impacted by lower sales volumes during the quarter, compared to the prior year, caused by the coronavirus pandemic that continued to hurt several of the company's end markets.

Carlisle Companies generated earnings-per-share of $1.57 during the fourth quarter, easily beating the consensus analyst estimate by $0.31. Carlisle Companies' earnings-per-share nevertheless were down from the previous year's level, mainly due to lower sales volumes, while one-time expenses due to the pandemic impacted profitability further. Carlisle's was able to offset some of the headwinds thanks to cost-saving programs during 2020, and share repurchases also had a positive impact on the company's earnings-per-share. Nevertheless, 2020 has been a down year for the company, which can be attributed to the impact of the pandemic. 2021 will be a year during which Carlisle will likely experience an earnings rebound, although profits will likely remain below the record level from 2019.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	$2.88	$4.18	$3.61	$3.83	$4.82	$5.86	$5.53	$6.04	$8.21	$6.41	***$7.00***	***$9.82***
DPS	$0.70	$0.76	$0.84	$0.94	$1.10	$1.30	$1.44	$1.54	$1.80	$2.05	***$2.10***	***$2.81***
Shares[1]	62	63	64	65	64	64	62	59	57	54	***52***	***45***

From 2009 to 2019, Carlisle recorded an average annual earnings-per-share growth rate of 15%, which is a strong result. During the last financial crisis, Carlisle's earnings-per-share did not decline a lot.

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 can engage in M&A easily and will most likely continue to do so in coming years.

Carlisle returns a lot of cash to its owners via share repurchases, which is beneficial for its earnings-per-share growth. In 2019 Carlisle spent about $500 million on buybacks and dividends, and the company returned another $500 million to its owners in 2020, despite the pandemic. Buybacks will remain an important earnings-per-share growth driver, we believe.

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[1] In Millions

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Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	14.8	12.5	18.9	21.6	19.6	17.2	18.7	16.7	19.7	24.3	***21.7***	***17.0***
Avg. Yld.	1.6%	1.5%	1.2%	1.1%	1.2%	1.3%	1.4%	1.5%	1.1%	1.3%	***1.4%***	***1.7%***

Carlisle Companies trades at around 22 times this year's expected earnings-per-share. 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 rather low dividend yield from Carlisle at current prices.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	24.3%	18.2%	23.3%	24.5%	22.8%	22.2%	26.0%	25.5%	21.9%	32.0%	***30.0%***	***28.6%***

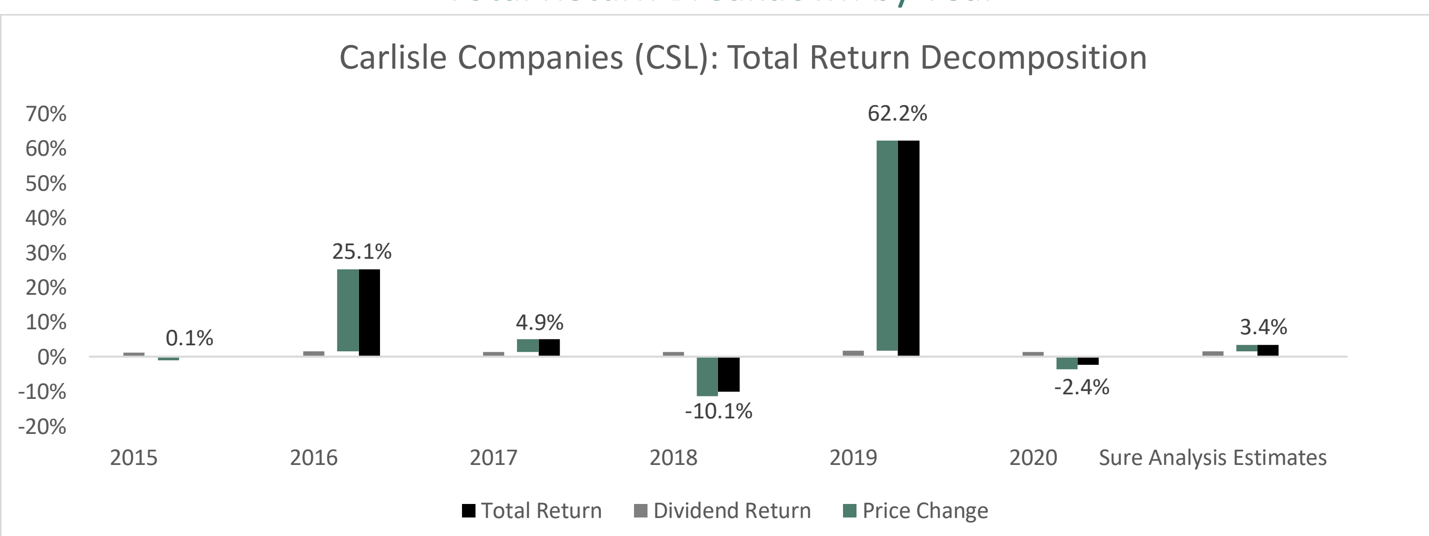
Carlisle Companies has grown its dividend every year for more than four decades, and the dividend growth rate has been very attractive over the last couple of years. The company nevertheless has a relatively low dividend payout ratio, as earnings-per-share growth has been quite strong as well during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

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 long-term growth outlook, and some resilience to economic downturns. Carlisle's approach of consolidating its niche industries through M&A will likely deliver meaningful growth going forward, even though 2020 was a down year due to the pandemic impact. Carlisle's shares trade above fair value right now, and the total return outlook is not very strong, which is why we rate Carlisle a sell at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	2,492	2,851	2,943	3,204	3,543	3,425	3,751	4,480	4,812	4,245
Gross Profit	584	767	746	820	1,007	1,086	1,048	1,175	1,372	1,182
Gross Margin	23.4%	26.9%	25.3%	25.6%	28.4%	31.7%	27.9%	26.2%	28.5%	27.9%
SG&A Exp.	299	357	354	379	462	495	533	625	667	642
D&A Exp.	88	105	114	104	129	138	169	191	205	
Operating Profit	266	372	367	408	503	546	464	509	654	484
Operating Margin	10.7%	13.0%	12.5%	12.7%	14.2%	15.9%	12.4%	11.4%	13.6%	11.4%
Net Profit	180	270	210	251	320	250	366	611	473	320
Net Margin	7.2%	9.5%	7.1%	7.8%	9.0%	7.3%	9.7%	13.6%	9.8%	7.5%
Free Cash Flow	112	346	304	177	457	422	299	219	614	601
Income Tax	73	118	98	124	148	148	88	87	122	77

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	3,138	3,457	3,493	3,759	3,951	3,966	5,300	5,249	5,496	
Cash & Equivalents	75	113	755	731	411	385	378	804	351	902
Accounts Receivable	486	408	400	439	503	512	626	698	783	
Inventories	539	325	299	339	356	377	449	458	511	
Goodwill & Int. Ass.	1,324	1,474	1,439	1,576	2,022	1,953	2,517	2,410	2,857	
Total Liabilities	1,638	1,669	1,507	1,554	1,604	1,499	2,772	2,652	2,853	
Accounts Payable	261	206	187	198	213	244	332	312	327	
Long-Term Debt	762	752	751	750	745	596	1,586	1,588	1,592	-
Shareholder's Equity	1,500	1,788	1,986	2,205	2,347	2,467	2,528	2,597	2,643	2,538
D/E Ratio	0.51	0.42	0.38	0.34	0.32	0.24	0.63	0.61	0.60	-

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	6.4%	8.2%	6.0%	6.9%	8.3%	6.3%	7.9%	11.6%	8.8%	
Return on Equity	12.7%	16.4%	11.1%	12.0%	14.0%	10.4%	14.6%	23.8%	18.0%	12.4%
ROIC	8.8%	11.3%	7.9%	8.8%	10.6%	8.1%	10.2%	14.7%	11.2%	9.5%
Shares Out.	62	63	64	65	64	64	62	59	57	54
Revenue/Share	39.88	44.82	45.41	49.06	53.84	52.79	59.02	73.69	83.61	77.19
FCF/Share	1.79	5.43	4.69	2.71	6.95	6.51	4.70	3.59	10.67	10.93

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

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