



# Stanley Black & Decker, Inc. (SWK)

Updated April 28<sup>th</sup>, 2021 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$210	<b>5 Year CAGR Estimate:</b>	6.0%	<b>Market Cap:</b>	\$33.3 billion
<b>Fair Value Price:</b>	\$179	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	6/7/2021
<b>% Fair Value:</b>	117%	<b>5 Year Valuation Multiple Estimate:</b>	-3.1%	<b>Dividend Payment Date:</b>	6/22/2021
<b>Dividend Yield:</b>	1.3%	<b>5 Year Price Target</b>	\$263	<b>Years Of Dividend Growth:</b>	53
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Last Dividend Increase:</b>	1.4%

## 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, though the company can trace its history back to 1843. Black & Decker was founded in Baltimore, MD in 1910 and manufactured the world's first portable power tool.

Stanley Black & Decker announced first quarter results on 4/28/2021. Revenue grew 34% to \$4.2 billion, topping expectations by \$230 million. Adjusted earnings-per-share of \$3.13 was a 161% improvement from the prior year and \$0.12 ahead of estimates.

Organic growth continues to be strong with 31% increase from the prior year. Sales for Tools & Storage, the largest segment within the company, were higher by 45%, the third consecutive double-digit quarter. All regions had at least 41% organic growth. Innovative new products, professional demand and home and garden were among the businesses that were highlighted by the company. North America benefited from a surge in commercial and industrial demand. Industrial organic growth was 6% for the quarter following a year where sales were mostly down. Engineered Fastening grew 9% due to improvement in automotive and general industrial markets. Infrastructure was lower by 2%, but had a mid-double-digit gain in attachment tools. Pipeline activity in oil and gas markets continues to be depressed. Security turned positive in the first quarter as sales were higher by 1%. North America was flat as gains in health and safety were offset by lower demand for electronic security installations. Europe grew 4% due to gains in France and Nordic countries. The operating margin improved 760 basis points to 17.6% while the gross margin expanded 440 basis points to 37.4%. Stanley Black & Decker does expect higher commodity costs for 2021, up to \$235 million from \$75 million previously. Much of this impact will be felt in the second half of the year. The company also announced a share repurchase of up to 20 million shares, or nearly 13% of the share count.

Stanley Black & Decker offered revised guidance. The company expects adjusted earnings-per-share in a range of \$10.70 to \$11.00 for 2021, up from \$9.70 to \$10.30 for 2021. Organic revenue is seen as growing 11% to 13%, up from 4% to 8% previously. We have updated our estimates for 2021 accordingly.

## Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
<b>EPS</b>	\$5.24	\$4.67	\$4.98	\$5.36	\$5.86	\$6.51	\$7.43	\$8.15	\$8.40	\$9.04	<b>\$10.85</b>	<b>\$15.94</b>
<b>DPS</b>	\$1.64	\$1.80	\$1.98	\$2.04	\$2.14	\$2.26	\$2.42	\$2.58	\$2.76	\$2.78	<b>\$2.80</b>	<b>\$4.11</b>
<b>Shares<sup>1</sup></b>	170	160	156	157	154	153	154	152	153	157	<b>157</b>	<b>145</b>

Stanley Black & Decker has seen earnings-per-share grow at a rate of 6.2% 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

<sup>1</sup> Share count in millions

Disclosure: This analyst has a long position in the security discussed in this research report.



# Stanley Black & Decker, Inc. (SWK)

Updated April 28<sup>th</sup>, 2021 by Nathan Parsh

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 53 consecutive years. While shares likely won't have a significantly above average yield, shareholders can reasonably expect that Stanley Black & Decker will continue to pay and raise its dividend each year based on the company's track record.

## Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	12.9	15.2	16.3	16.2	17.1	17.2	19.1	17.5	16.9	17.6	19.4	16.5
Avg. Yld.	2.4%	2.5%	2.4%	2.3%	2.1%	2.0%	1.7%	1.8%	1.9%	1.9%	1.3%	1.6%

Shares of Stanley Black & Decker have increased \$37, or 21.4%, since our 2/1/2021 update. Based on earnings-per-share guidance for 2021, the stock now trades with a price-to-earnings ratio, or P/E, of 19.4. We have raised our target P/E to 16.5 to match the stock's average valuation since 2011. If shares were to revert to our target P/E by 2026, then valuation would be a 3.1% headwind to annual returns over this time. Stanley Black & Decker's stock yields 1.3%, which is below than the stock's 10-year average yield of 2.1%.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

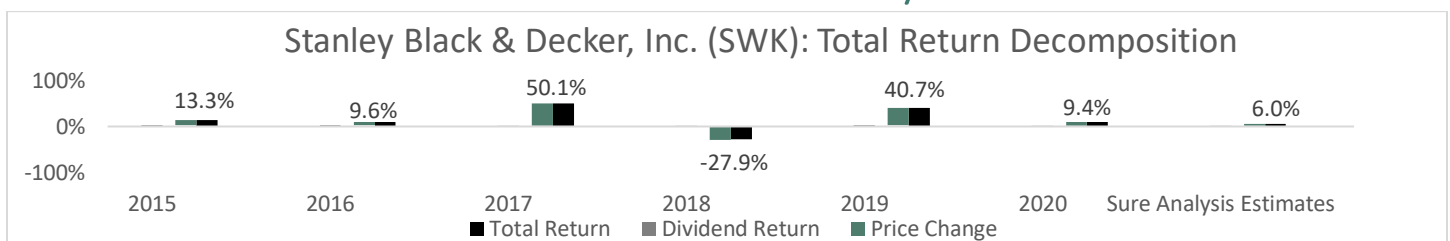
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	31%	39%	40%	38%	37%	35%	33%	32%	33%	31%	26%	26%

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 has been able to increase prices in certain product categories over the years 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, outside of the first two quarters in 2020, since the 2017 acquisition.

## Final Thoughts & Recommendation

Stanley Black & Decker is expected to produce annual returns of 6.0% through 2026, down from our previous estimate of 7.5%. This projection stems from an 8% earnings growth and a starting yield of 1.3% offset by a low single-digit headwind from valuation. Stanley Black & Decker produced an excellent quarter, though some of this is likely due to softer comparable results in the prior year. Still, every segment and region performed very well and the company once again raised its guidance for the year. Higher commodity costs could be an issue later this year. We have raised our 2026 price target \$32 to \$263 due to updated EPS and a higher multiple target, but maintain our hold rating on the stock due to projected returns.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has a long position in the security discussed in this research report.



# Stanley Black & Decker, Inc. (SWK)

Updated April 28<sup>th</sup>, 2021 by Nathan Parsh

## Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenue</b>	9,377	10,022	10,890	11,339	11,172	11,594	12,967	13,982	14,442	14,535
<b>Gross Profit</b>	3,451	3,657	3,904	4,103	4,072	4,268	4,778	4,851	4,806	4,968
<b>Gross Margin</b>	36.8%	36.5%	35.8%	36.2%	36.4%	36.8%	36.9%	34.7%	33.3%	34.2%
<b>SG&amp;A Exp.</b>	2,342	2,463	2,676	2,575	2,459	2,609	2,983	3,144	3,008	3,090
<b>D&amp;A Exp.</b>	410	445	441	450	414	408	461	507	560	578
<b>Operating Profit</b>	1,093	1,183	1,213	1,507	1,586	1,636	1,779	1,679	1,765	1,878
<b>Operating Margin</b>	11.7%	11.8%	11.1%	13.3%	14.2%	14.1%	13.7%	12.0%	12.2%	12.9%
<b>Net Profit</b>	675	884	490	761	884	968	1,227	605	956	1,234
<b>Net Margin</b>	7.2%	8.8%	4.5%	6.7%	7.9%	8.3%	9.5%	4.3%	6.6%	8.5%
<b>Free Cash Flow</b>	697	593	528	1,005	871	839	226	769	1,081	1,674
<b>Income Tax</b>	52	76	69	227	249	262	301	416	161	41

## Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Total Assets</b>	15,949	15,844	16,535	15,849	15,128	15,635	19,098	19,408	20,597	23,566
<b>Cash &amp; Equivalents</b>	907	716	496	497	465	1,132	638	289	298	1,381
<b>Accounts Receivable</b>	1,345	1,329	1,366	1,205	1,165	1,137	1,388	1,437	1,284	1,512
<b>Inventories</b>	1,271	1,305	1,473	1,563	1,526	1,478	2,018	2,374	2,255	2,737
<b>Goodwill &amp; Int. Ass.</b>	9,382	9,947	10,600	10,027	9,626	8,994	12,284	12,441	12,860	14,094
<b>Total Liabilities</b>	8,882	9,117	9,655	9,337	9,269	9,261	10,793	11,568	11,454	12,500
<b>Accounts Payable</b>	1,199	1,346	1,553	1,579	1,533	1,640	2,021	2,233	2,088	2,446
<b>Long-Term Debt</b>	3,452	3,538	4,202	3,847	3,800	3,827	3,811	4,198	3,517	4,247
<b>Shareholder's Equity</b>	7,004	6,667	6,799	6,429	5,812	6,367	7,552	7,086	7,636	11,060
<b>D/E Ratio</b>	0.49	0.53	0.62	0.60	0.65	0.60	0.46	0.54	0.38	0.38

## Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Return on Assets</b>	4.3%	5.6%	3.0%	4.7%	5.7%	6.3%	7.1%	3.1%	4.8%	5.6%
<b>Return on Equity</b>	9.6%	12.9%	7.3%	11.5%	14.4%	15.9%	17.6%	8.3%	13.0%	13.2%
<b>ROIC</b>	6.4%	8.5%	4.6%	7.1%	8.8%	9.7%	11.0%	5.0%	7.7%	8.8%
<b>Shares Out.</b>	170	160	156	157	154	153	154	152	153	157
<b>Revenue/Share</b>	55.12	60.12	68.58	70.98	73.16	78.23	85.06	92.21	95.92	93.25
<b>FCF/Share</b>	4.10	3.56	3.32	6.29	5.70	5.66	1.48	5.07	7.18	10.74

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.