



Stanley Black & Decker, Inc. (SWK)

Updated April 29th, 2022 by Nathan Parsh

Key Metrics

Current Price:	\$126	5 Year CAGR Estimate:	15.8%	Market Cap:	\$19 B
Fair Value Price:	\$165	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	06/06/22
% Fair Value:	76%	5 Year Valuation Multiple Estimate:	5.5%	Dividend Payment Date:	06/21/22
Dividend Yield:	2.5%	5 Year Price Target	\$242	Years Of Dividend Growth:	54
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Buy

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.

On December 8th, 2021, the company announced that it would sell the majority of its security segment to Securitas AB for \$3.2 billion in cash. The transaction is expected to be completed in the first half of 2022.

On April 28th, 2022, Stanley Black & Decker announced first quarter results for the period ending March 31st, 2022. Revenue grew 20% to \$4.4 billion, but was \$220 million lower than expected. 1.5% to \$4.1 billion, Adjusted earnings-per-share of \$2.10 compared unfavorably to \$3.13 in the prior year, but was \$0.40 ahead of estimates.

Organic growth fell 1%. Sales for Tools & Storage, the largest segment within the company, experienced an organic decline of 1% as a 5% benefit from pricing was more than offset by a 6% decline in volume. Emerging markets grew 5%, Europe was higher by 2%, and North America fell 3%. Point-of-sale demand from professional construction markets outpaced growth rates from the prior year. Industrial organic growth was flat. Infrastructure grew 4% due to continued high demand for attachment tools. Engineered Fastening was down 1% as fastener growth was offset by a decline in automotive. Gross margin contracted 610 basis points to 29.3% as higher prices were more than offset by higher commodity inflation and higher supply chain costs.

Stanley Black & Decker offered revised guidance for 2022. Due to inflationary pressures, the company now expects adjusted earnings-per-share in a range of \$9.50 to \$10.50, down from \$12.00 to \$12.50 previously. Organic revenue is projected in a range of 7% to 8%. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$4.67	\$4.98	\$5.36	\$5.86	\$6.51	\$7.43	\$8.15	\$8.40	\$9.04	\$11.20	\$10.00	\$14.69
DPS	\$1.80	\$1.98	\$2.04	\$2.14	\$2.26	\$2.42	\$2.58	\$2.76	\$2.78	\$2.98	\$3.16	\$4.64
Shares¹	160	156	157	154	153	154	152	153	157	159	155	145

Stanley Black & Decker has seen earnings-per-share grow at a rate of more than 10% over both the last five- and 10-year periods of time. 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 going forward due to a high starting base for earnings-per-share as well as the quality of the company.

Stanley Black & Decker has an impressive dividend growth streak, having raised its dividend for 54 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 a long position in the security discussed in this research report.



Stanley Black & Decker, Inc. (SWK)

Updated April 29th, 2022 by Nathan Parsh

& Decker will continue to pay and raise its dividend each year based on the company's track record. The company raised its dividend 12.9% increase for the September 21st, 2021 payment date, its largest raise since 2012.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	15.2	16.3	16.2	17.1	17.2	19.1	17.5	16.9	17.6	16.8	12.6	16.5
Avg. Yld.	2.5%	2.4%	2.3%	2.1%	2.0%	1.7%	1.8%	1.9%	1.9%	1.6%	2.5%	1.9%

Shares of Stanley Black & Decker have decreased \$51, or 28.8%, since our February 1st, 2022 update. Based on revised earnings-per-share guidance for 2022, the stock now trades with a price-to-earnings ratio, or P/E, of 12.6. We reaffirm our target P/E of 16.5, which is in-line with the long-term average. If shares were to revert to our target P/E by 2027, then valuation would be a 5.5% tailwind to annual returns over this time. Stanley Black & Decker's current yield is one of the stock's highest over the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

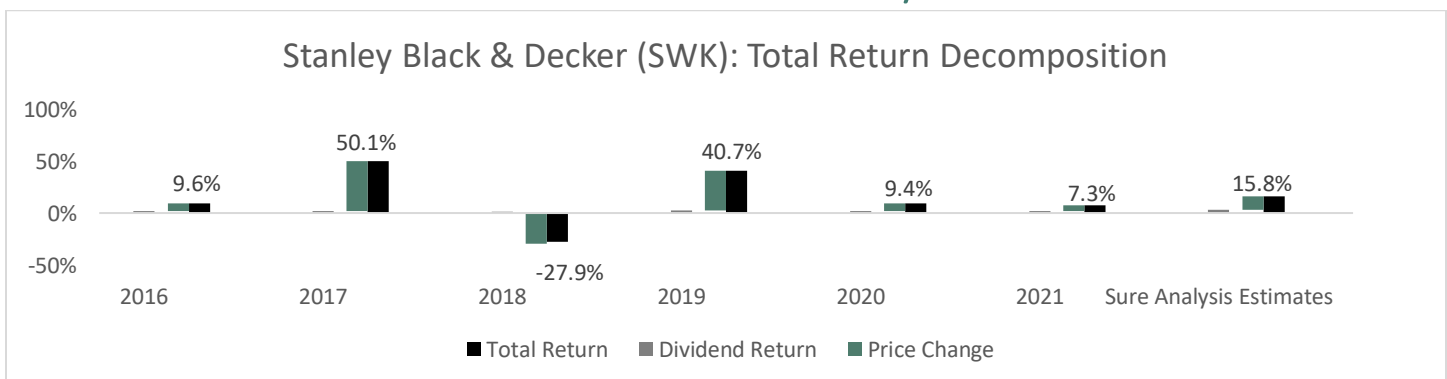
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	39%	40%	38%	37%	35%	33%	32%	33%	31%	27%	32%	32%

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 now expected to produce annual returns of 15.8% through 2027, up from our previous estimate of 12.4%. This projection stems from an 8% earnings growth, a starting yield of 2.5%, and a mid-single-digit contribution from multiple expansion. Stanley Black & Decker's first quarter was mixed as inflationary pressures have impacted results. Demand also declined in some areas as higher prices have been implemented throughout the company. We have lowered our five-year price target \$55 to \$242 due to revised guidance, but note that Stanley Black & Decker has an impressive dividend growth streak and a higher than usual dividend yield. Shares earn a buy rating 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 29th, 2022 by Nathan Parsh

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	10,022	10,890	11,339	11,172	11,594	12,967	13,982	14,442	14,535	15,617
Gross Profit	3,657	3,904	4,103	4,072	4,268	4,778	4,851	4,806	4,968	5,194
Gross Margin	36.5%	35.8%	36.2%	36.4%	36.8%	36.9%	34.7%	33.3%	34.2%	33.3%
SG&A Exp.	2,463	2,676	2,575	2,459	2,609	2,983	3,144	3,008	3,049	3,240
D&A Exp.	445	441	450	414	408	461	507	560	578	577
Operating Profit	887	929	1,267	1,364	1,450	1,510	1,392	1,515	1,616	1,832
Operating Margin	8.8%	8.5%	11.2%	12.2%	12.5%	11.6%	10.0%	10.5%	11.1%	11.7%
Net Profit	884	490	761	884	968	1,227	605	956	1,234	1,689
Net Margin	8.8%	4.5%	6.7%	7.9%	8.3%	9.5%	4.3%	6.6%	8.5%	10.8%
Free Cash Flow	593	528	1,005	871	839	226	769	1,081	1,674	144
Income Tax	76	69	227	249	262	301	416	161	41	61

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	15,844	16,535	15,849	15,128	15,635	19,098	19,408	20,597	23,566	28,198
Cash & Equivalents	716	496	497	465	1,132	638	289	298	1,381	142
Accounts Receivable	1,329	1,366	1,205	1,165	1,137	1,388	1,437	1,284	1,346	1,561
Inventories	1,305	1,473	1,563	1,526	1,478	2,018	2,374	2,255	2,737	5,447
Goodwill & Int. Ass.	9,947	10,600	10,027	9,626	8,994	12,284	12,441	12,859	14,094	13,491
Total Liabilities	9,117	9,655	9,337	9,269	9,261	10,793	11,568	11,454	12,500	16,605
Accounts Payable	1,346	1,553	1,579	1,533	1,640	2,021	2,233	2,088	2,446	3,439
Long-Term Debt	3,538	4,202	3,847	3,800	3,827	3,811	4,198	3,517	4,247	6,596
Shareholder's Equity	6,667	6,799	6,429	5,812	6,367	7,552	7,086	7,906	9,689	11,591
LTD/E Ratio	0.53	0.62	0.60	0.65	0.60	0.46	0.54	0.38	0.38	0.57

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	5.6%	3.0%	4.7%	5.7%	6.3%	7.1%	3.1%	4.8%	5.6%	6.5%
Return on Equity	12.9%	7.3%	11.5%	14.4%	15.9%	17.6%	8.3%	12.8%	14.0%	15.9%
ROIC	8.5%	4.6%	7.1%	8.8%	9.7%	11.0%	5.0%	7.7%	8.8%	10.1%
Shares Out.	160	156	157	154	153	154	152	153	157	159
Revenue/Share	60.12	68.58	70.98	73.16	78.23	85.06	89.18	92.35	89.48	94.64
FCF/Share	3.56	3.32	6.29	5.70	5.66	1.48	4.90	6.91	10.31	0.87

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.