Carlisle Companies (CSL)

Updated May 12th, 2023 by Jonathan Weber

Key Metrics

Current Price:	$210	**5 Year CAGR Estimate:**	12.9%	**Market Cap:**	$11B
Fair Value Price:	$288	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	05/16/23
% Fair Value:	73%	**5 Year Valuation Multiple Estimate:**	6.5%	**Dividend Payment Date:**	06/01/23
Dividend Yield:	1.4%	**5 Year Price Target**	$368	**Years Of Dividend Growth:**	46
Dividend Risk Score:	A	**Retirement Suitability Score:**	B	**Rating:**	Buy

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 27. The company reported revenues of $1.2 billion for the quarter, which was down 20% compared to the revenues that Carlisle Companies generated during the previous year's quarter. Carlisle's revenues were lower than the analyst consensus estimate. Carlisle's revenue performance was weaker than during the previous quarter, when the year-over-year growth rate was only slightly negative. A tougher comparison and the housing slowdown explain why revenues were down year over year.

Carlisle Companies generated earnings-per-share of $2.57 during the first quarter, missing the consensus analyst estimate by $0.03. Carlisle Companies' earnings-per-share were down 40% from the previous year's level, due to lower margins and the lower revenues the company generated during the quarter. Carlisle's cost-saving measures that were started during 2020 were a positive factor, and share repurchases also had a positive impact on the company's earnings-per-share growth rate during the period, but they couldn't fully offset the headwinds during the quarter. It is expected that profitability will decrease this year versus 2022, which had been an extremely strong year for the company, as Carlisle grew its earnings-per-share by more than 100% in 2022, relative to 2021.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$3.61	$3.83	$4.82	$5.86	$5.53	$6.04	$8.21	$6.41	$8.89	$20.01	***$18.00***	***$22.97***
DPS	$0.84	$0.94	$1.10	$1.30	$1.44	$1.54	$1.80	$2.05	$2.16	$3.00	***$3.00***	***$4.01***
Shares[1]	64	65	64	64	62	59	57	54	53	52	***51***	***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 highly active when it comes to M&A. Carlisle has been divesting lower-growth business units such as its food division in order to focus on higher-growth businesses 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. 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. In September 2021, Carlisle Companies closed the $1.6 billion acquisition of building materials company Henry Company.

Carlisle returns a lot of cash to its owners via share repurchases, which is beneficial for its earnings-per-share growth. In recent years, Carlisle Companies has returned around $500 million a year to its owners via buybacks, even in 2020, despite the pandemic. Buybacks will remain an important earnings-per-share growth driver, we believe.

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[1] 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.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	18.9	21.6	19.6	17.2	18.7	16.7	19.7	24.3	27.7	11.8	***11.7***	***16.0***
Avg. Yld.	1.2%	1.1%	1.2%	1.3%	1.4%	1.5%	1.1%	1.3%	0.9%	1.3%	***1.4%***	***1.1%***

Carlisle Companies trades at around 12 times this year's expected earnings-per-share. This is way lower than our fair value estimate, as Carlisle has been significantly more expensive over the last couple of years compared to how shares are valued today. Shareholders get a modest dividend yield from Carlisle at current prices.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	23.3%	24.5%	22.8%	22.2%	26.0%	25.5%	21.9%	32.0%	24.3%	15.0%	***16.7%***	***17.5%***

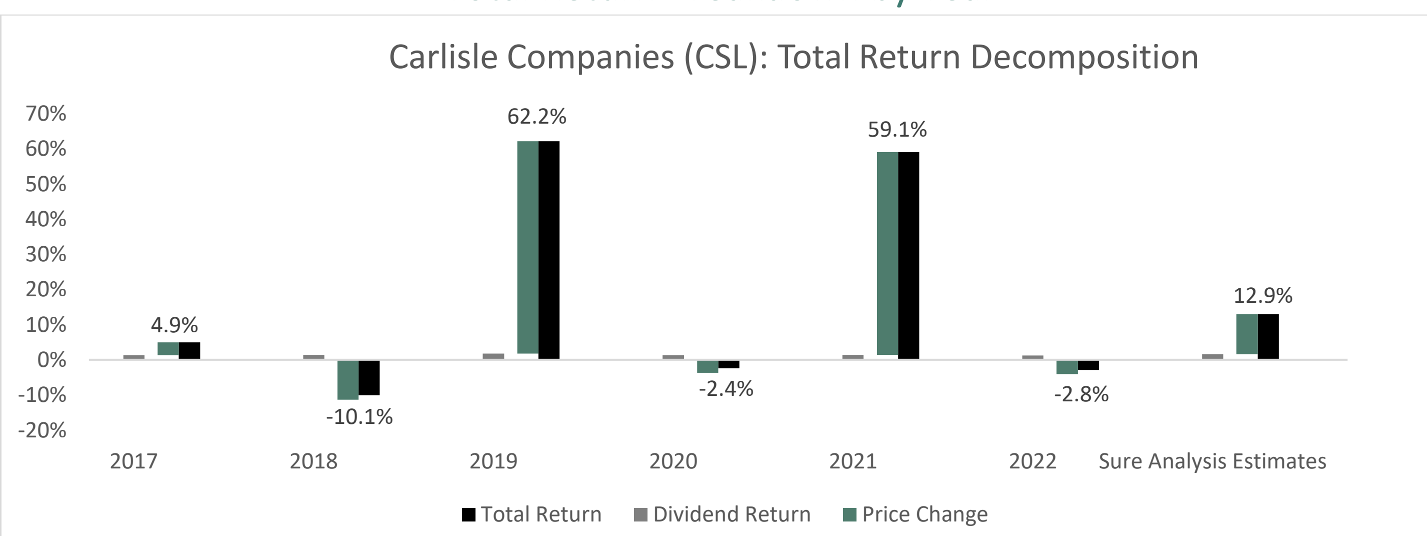
Carlisle Companies has grown its dividend every year for more than four decades, and the dividend growth rate has been attractive over the last couple of years. The company nevertheless has a relatively low dividend payout ratio, as earnings-per-share growth has been quite strong as well during that 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. Carlisle had a strong 2022, but the current year should be slightly worse. Carlisle's shares trade below fair value right now, and the total return outlook is compelling, which is why we rate Carlisle a buy at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	2,943	3,204	3,543	3,425	3,751	4,480	4,812	4,245	4,810	6,592
Gross Profit	746	820	1,007	1,086	1,048	1,175	1,372	1,182	1,315	2,157
Gross Margin	25.3%	25.6%	28.4%	31.7%	27.9%	26.2%	28.5%	27.9%	27.3%	32.7%
SG&A Exp.	354	379	462	495	533	625	667	642	698	812
D&A Exp.	114	104	129	138	169	191	205	224	226	251
Operating Profit	367	408	503	546	464	509	654	484	568	1,276
Operating Margin	12.5%	12.7%	14.2%	15.9%	12.4%	11.4%	13.6%	11.4%	11.8%	19.4%
Net Profit	210	251	320	250	366	611	473	320	422	924
Net Margin	7.1%	7.8%	9.0%	7.3%	9.7%	13.6%	9.8%	7.5%	8.8%	14.0%
Free Cash Flow	304	177	457	422	299	219	614	601	287	817
Income Tax	98	124	148	148	88	87	122	77	96	270

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	3,493	3,759	3,951	3,966	5,300	5,249	5,496	5,866	7,247	7,222
Cash & Equivalents	755	731	411	385	378	804	351	902	324	400
Accounts Receivable	400	439	503	512	626	698	683	613	815	829
Inventories	299	339	356	377	449	458	511	504	605	749
Goodwill & Int. Ass.	1,439	1,576	2,022	1,953	2,517	2,410	2,857	2,773	4,208	4,038
Total Liabilities	1,507	1,554	1,604	1,499	2,772	2,652	2,853	3,329	4,617	4,198
Accounts Payable	187	198	213	244	332	312	327	318	432	371
Long-Term Debt	751	750	745	596	1,586	1,588	1,592	2,081	2,927	2,583
Shareholder's Equity	1,986	2,205	2,347	2,467	2,528	2,597	2,643	2,538	2,630	3,024
LTD/E Ratio	0.38	0.34	0.32	0.24	0.63	0.61	0.60	0.82	1.11	0.85

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	6.0%	6.9%	8.3%	6.3%	7.9%	11.6%	8.8%	5.6%	6.4%	12.8%
Return on Equity	11.1%	12.0%	14.0%	10.4%	14.6%	23.8%	18.0%	12.4%	16.3%	32.7%
ROIC	7.9%	8.8%	10.6%	8.1%	10.2%	14.7%	11.2%	7.2%	8.3%	16.6%
Shares Out.	64	65	64	64	62	59	57	54	53	52
Revenue/Share	45.41	49.06	53.84	52.79	59.02	74.16	84.56	77.89	90.42	125.56
FCF/Share	4.69	2.71	6.95	6.51	4.70	3.62	10.79	11.03	5.39	15.57

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